Nation's Business

A USEFUL LOOK AHEAD

JANUARY 1960

UNIONS BUILD STRIKE POWER

. . . a hand in things to come

Reaching into a lost world

. . . for a plastic you use every day

Massive creatures once sloshed through endless swamps, feeding on huge ferns, luxuriant rushes and strange pulp-like trees. After ruling for 100 million years, the giant animals and plants vanished forever beneath the surface with violent upheavals in the earth's crust. Over a long period, they gradually turned into great deposits of oil and natural gas. And today, Union Carbide converts these vast resources into a modern miracle—the widely-used plastic called polyethylene.

Millions of feet of tough, transparent polyethylene film are used each year to protect the freshness of perishable foods such as fruits and vegetables. Scores of other useful things are made from polyethylene . . . unbreakable kitchenware, alive with color . . . bottles that dispense a fine spray with a gentle squeeze . . . electrical insulation for your television antenna, and even for trans-oceanic telephone cables.

Polyethylene is only one of many plastics and chemicals that Union Carbide creates from oil and natural gas. By constant research into the basic elements of nature, the people of Union Carbide bring new and better products into your everyday life.

Learn about the exciting work going on now in plastics, carbons, chemicals, gases, metals, and nuclear energy. Write for "Products and Processes" Booklet H, Union Carbide Corporation, 30 E. 42nd St., New York 17, N. Y. In Canada, Union Carbide Canada Limited, Toronto.

UNION CARBIDE

. . . a hand
in things to come

Nation's Business

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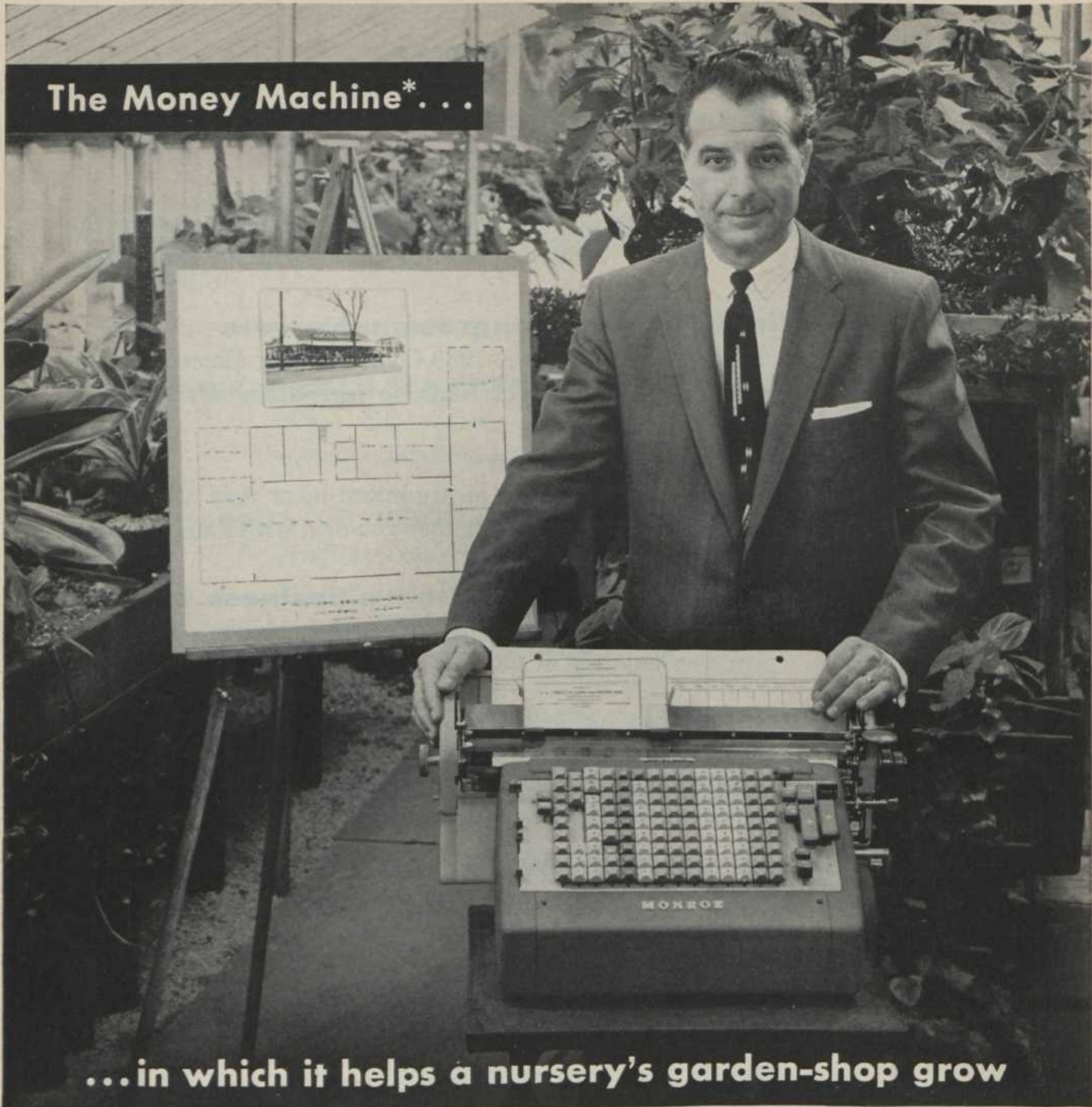

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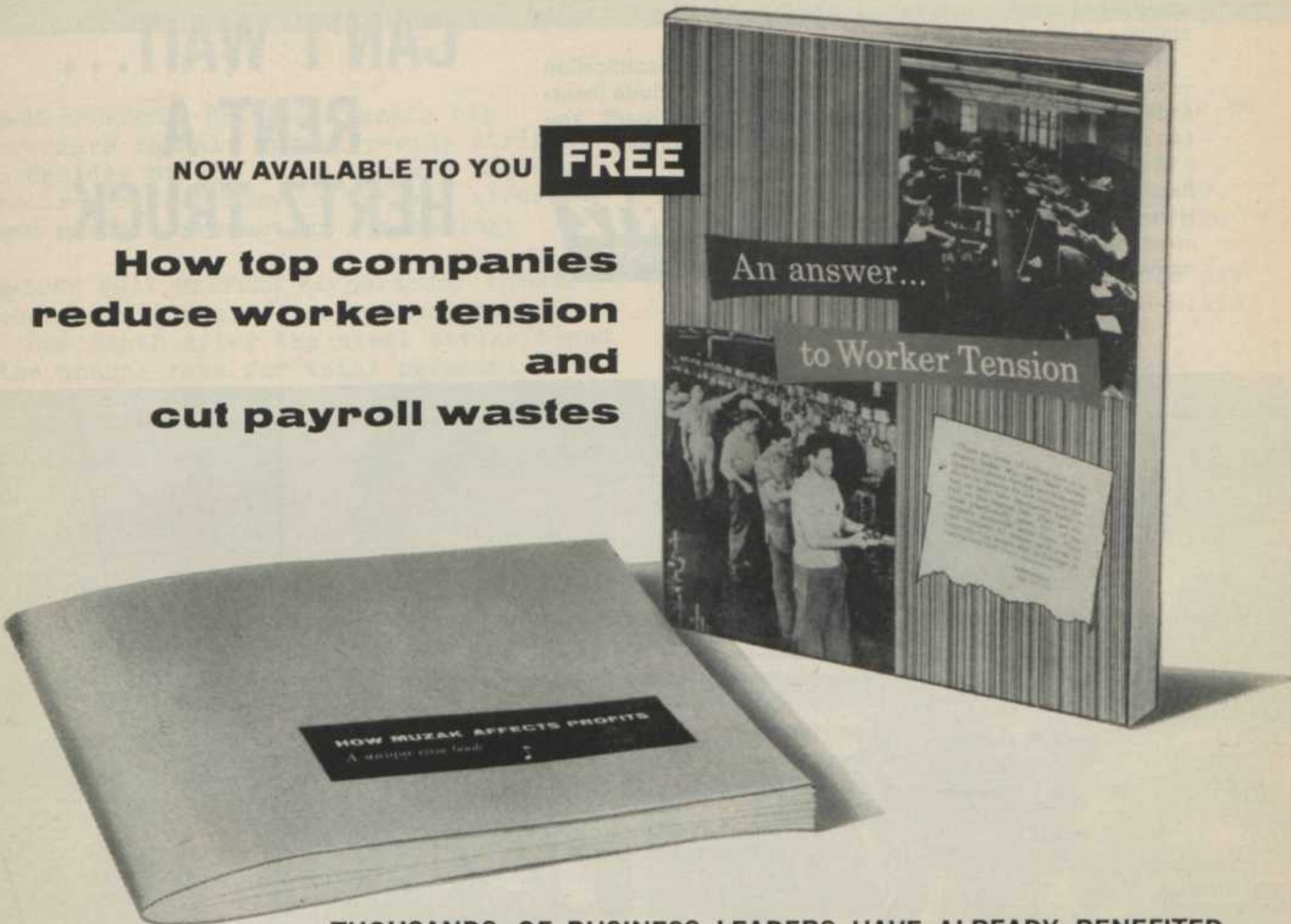

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Type of Business__________ Number of Employees__________

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City__________ Zone_____ State__________

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management's WASHINGTON LETTER

▶AS CONGRESS RETURNS there's big pressure to halt industry-wide strikes.

Besides steel, major strikes threaten railroads (February or later), aircraft and missile production (in spring)

▶LOOK WHAT HAPPENS to personal income when industry-wide strikes occur.

One month after the steel strike began the annual rate for total personal income nose-dived $3.4 billion.

After one month of the 1957-58 business recession, personal income had gone down only $700 million.

It took almost four months of recession to whittle off as much as the steel strike chopped off in one month.

▶WHAT'LL HAPPEN if rail unions strike?

Railroads come under the Railway Labor Act, not Taft-Hartley.

Therefore, there'll be no 80-day injunction.

But watch for government to seize and operate the railroads.

There's some question about legality of such action. Previous seizures have been under wartime emergency powers.

So, if legality is tested, Congress can vote White House new powers.

Chances are that a strike would last not more than a week.

▶PAYROLL TAXES are headed upward.

Time's coming when tax payments for social security will equal almost 10 per cent of many employes' incomes.

Here's the picture taking shape:

Newest tax increase becomes effective this month.

For 1960, social security tax will take $144 from each employe's pay.

That's $24 higher than '59 tax.

Employer pays another $144.

Other tax increases are scheduled for '63, '66, and '69.

Total cost for each employe on your payroll earning $4,800 a year in 1969 will be $432--almost 10 per cent of his pay.

But that picture could change.

Changes proposed in Social Security law would bring tax increases larger than those now scheduled.

In addition to proposals already in congressional works, others are being formed.

Possible liberalization actions to be voted on this year include:

Disability payments--Law now pays totally disabled persons from age 50. Proposal would eliminate or lower age requirement.

Medical benefits--Proposal would pay hospital, surgical, nursing home bills for retired persons.

About 14.3 million persons would become eligible immediately.

Total cost would average $2 billion a year.

This proposal is vital to businessmen because advocates admit it's first step toward a national compulsory health plan.

That means all health care for all Americans would be paid for out of federal tax money.

Total cost for this kind of program would be more than $16 billion a year to start.

Issue involved:

Whether the U. S. will have socialized medicine.

▶GUIDELINES TO THE FUTURE will be available this month.

Watch these presidential messages to Congress:

State of the Union--This will give you a broad outline of the Administration's legislative goals for 1960.

Budget--Spending-program details will be spelled out about midmonth.

Economic Report--Comprehensive analysis of business conditions for year ahead.

▶BUSINESS CONTROLS figure importantly in legislative proposals for 1960.

Consider how these measures would affect you:

Wage controls--Minimum wage you can pay employes now under federal law is $1 an hour.

New proposal would boost minimum hourly pay 25 per cent, extend coverage to 10 million more employes in such industries as retail and service.

Backers think they'll get this bill through Congress in '60.

Merger controls--You might be required to notify government before you can merge your company with other firms.

Legislative proposal isn't new but

momentum to bulldoze this bill through Congress this year is gaining.

Price controls--Many companies couldn't raise prices without notifying government if this proposal becomes law.

Proposal would require a waiting period of 30 days before new price became effective.

During that period the Federal Trade Commission would have authority to call public hearings to study reasons and justifications for raising prices.

Supporters of this legislation will make a strong effort for passage.

Competition controls--Proposal would eliminate "good faith" provision of the Robinson-Patman Act.

Law now allows you to adjust prices in certain situations if you do so in good faith to meet a competitor's price.

If this proposal becomes law, you'd have to price products uniformly and your ability to meet regional competition would be impaired.

This bill is highly controversial.

Chance of passage is not particularly good but backers will try hard.

Advertising controls--Many members of Congress are getting concerned about practices in advertising, whether your advertisements tell the truth.

Television highlights this situation.

Some congressmen are counting heavily on making front-page news with this issue between now and next fall's elections.

Watch for specific proposals to be made in the next few months.

Meanwhile, there's congressional pressure on business regulatory agencies such as Federal Trade Commission to crack down hard on false and misleading advertising.

Profit controls--How much profit can a company earn? Some congressmen think profits are too high.

Senate antitrust subcommittee now is investigating earnings of drug firms.

Group is also concerned about earnings of steel companies, is eyeing other industries as well.

▶NOT A CHANCE--That's what fiscal authorities say about a tax cut in '60.

Why?

Tax-writing Ways and Means Committee is conducting an extensive study aimed at ultimate tax reform.

Chances are the study will go on for months, possibly for years.

Administration and many congressmen believe any surplus revenue should be used to reduce the giant national debt.

Feeling is widespread that a general tax cut would be inflationary--at least one that would appeal to mass of voters.

Big tax cut may have to wait until a new tax law could be passed to broaden the tax base--that is, tax income now exempt from taxation.

Planned is big tax reform legislation --for next year or later.

▶EISENHOWER ADMINISTRATION sets record for federal spending.

No other President has spent as much.

When Mr. Eisenhower leaves office in '61, federal expenditures during his eight years in office will total about $580 billion.

That surpasses Truman's record of $395 billion, also beats Roosevelt's spending total of $375 billion.

For major national defense, here's the spending record:

Eisenhower's total will be $354 billion.

Truman's defense bill was $212 billion.

Roosevelt spent $258 billion.

▶HAVE YOU EVER MISPLACED $4 billion?

Uncle Sam did--in 1958.

That's statistical error in business volume done in '58.

Only recently discovered, error points up need for better methods of keeping track of business conditions.

Here's what happened:

Business downswing reached bottom in spring of '58.

Total value of all goods and services produced that year was recorded at $437.7 billion.

That was a dip of $2.5 billion from previous year's high.

Now that more complete information is available, the downswing proves to have been much less severe than previous data indicated.

Recession figures have been adjusted upward.

Instead of a $2.5 billion dip, business slipped only a third as much--

or about $800 million--and actual business volume was really $4 billion higher than was thought at the time.

Danger for the future:

Statistical error could panic nation into uneconomic actions to stimulate a faltering economy which in fact may not be faltering.

▶SPENDING FOR BUSINESS GROWTH is headed upward.

Chances are good that the outlay in '60 will set a new record.

That means spending for new plant and equipment is likely to surpass $37 billion spent in '57.

After the '57 record, outlay for growth slumped to $30.5 billion in '58.

New surveys indicate outlay is headed upward, may reach $38 billion in '60.

Manufacturing is showing the biggest jump. Modernization spending there is running more than $3 billion higher than a year ago.

▶BEHIND JOHN L. LEWIS'S PLANS to retire as head of United Mine Workers is recognition of new problems ahead--for union as well as coal industry.

Union was able to boycott the Taft-Hartley law but it cannot avoid the new Landrum-Griffin Act.

Trusteeships--meaning personal control --that Mr. Lewis has maintained over 20 of the union's 30 districts will have to be justified to be continued.

As for the industry, it's heading into a period during which new gains in productivity will be harder to get.

This will mean smaller wage increases if coal prices are to remain competitive with other fuels.

By cooperating in mechanization, Mr. Lewis has helped the industry boost output per miner 76 per cent during the past 10 years.

This has enabled mines to keep coal prices stable while doubling miners' wages and benefits.

▶BOOK ON TAXES you might find useful is "Federal Tax Aspects of Association Activities."

It deals with:

Tax problems facing businessmen and their trade, professional or technical associations.

It highlights trade shows, cooperative buying, publications, legislative and other activities conducted by nonprofit organizations.

For information write to Association Service Department, U. S. Chamber of Commerce, Washington 6, D. C.

▶NEW SECRETARY OF LABOR could be Stuart Rothman, now General Counsel of National Labor Relations Board.

Insiders think he could be picked to succeed James P. Mitchell, who'd like the number two spot on G.O.P. presidential ticket.

▶RIFT BETWEEN UNIONS is widening over pleas for cash to help unions on strike.

Bothered most are old-line AFL unions whose strikes are smaller and who are able to take care of themselves when they do strike.

This is an increasing source of friction between former AFL and former CIO unions in the merged organization.

The new Steelworkers Defense Fund set up by AFL-CIO last year is the first to be set up by parent labor federation.

About 13.5 million members are now being asked to contribute an hour's pay each month to the strike fund.

Potentially, that could bring in more than $27 million monthly if all paid up.

What's left after steel dispute is settled will be made available to other striking unions in need of money.

More conservative unionists fear a permanent AFL-CIO strike fund would make unions strike more readily and run willy-nilly to tap AFL-CIO's fund for help.

▶WHAT HAPPENS when a company moves into a new building?

Look at this experience.

Marchant Calculator (Division of Smith-Corona Marchant, Inc.) opened a new plant in Oakland, Calif., about a year ago.

Executives noticed an immediate jump in employe morale.

Employes began coming to work in better dress, kept shops and offices neater, began to show greater company pride.

Also noticed by executives:

A pick-up in employe productivity.

Business opinion:

Senator praises article on peace

YOUR ARTICLE "What Peace Would Do To You" [October] does a great service in dispelling fears which have cropped up in connection with the economic aspects of disarmament and a significant cutback in defense spending.

As realists, we must face three facts when considering how total peace might affect us. They are: 1, a substantial cutback in defense spending would demand some adjustments; 2, such a cutback would release more money for nondefense spending; and, 3, fear and worry never solved anything.

Instead of worrying, we should be planning how to adjust to the economic consequences of a disarmament agreement and how best to take advantage of the opportunities resulting from disarmament.

This is why the Senate Foreign Relations Subcommittee on Disarmament, of which I am chairman, is presently undertaking a study of the economic aspects of disarmament and is urging the Administration to make a similar study.

SEN. HUBERT H. HUMPHREY
Democrat, Minn.

Puzzled

In your December issue an item under "Natural Resources" states that the American Forest Products Industries is experimenting with a tree farm system. The item further states that there is an increasing demand for wood.

I can't understand this experiment, when there are thousands of acres of timber here in Missouri which have never been touched and probably never will be used.

I have a farm with about 100 acres of timber, and am only one of the many hundreds of farms in this area that have more wood than we could ever use.

W. G. HOLLOWAY
Cabool, Missouri

Brainpower waste

The articles, "New Way to Attract Brain Power," and "Over-40 Freeze Begins to Thaw," were a good combination.

There has been a tremendous waste of brain power. The wastees keep getting older, and the sight of old brains being wasted tends to discourage young brains.

In "Brain Power," Dr. Simon Marcson speaks of the conflict between "executive authority" and "colleague authority." This conflict was not a problem when an executive had some incentive to do his share of the getting along.

Under present conditions, I think it is commonplace for a man with brains to be fired for trying to get results when his boss isn't interested in results. What he needs to keep his brains available is a tribunal which will hear both sides and make a fair decision. Such a tribunal wouldn't have to have any authority to get his job back, but only to set the record straight.

MAJ. JAMES R. RANDOLPH
Orange, N. J.

Helpful

Your article "How to Build a Winning Sales Team" [November] was excellent. We appreciate the fact that even though most articles, statistics, etc., are based on large corporations, it is easy to apply them to our own situation.

FRANK LUEPKE
Station Manager
Radio Station WBBA
Pittsfield, Ill.

I found the article "Trade Tension for Creativity" [November] one which I feel is very timely and should be helpful to our staff.

JAMES C. STEPHENS
Chief, Division of Training and Utilization
U. S. Department of Labor
Washington, D. C.

Cutting taxes

I have just read "How Your Income Taxes Can Be Cut" [November] by Chairman Wilbur D. Mills, House Ways and Means Committee.

A copy of that article should be placed in the hands of as many taxpayers as possible.

M. J. DOWNES
Park Ridge, Ill.

Good barometer

In your November "Washington

America's modern way of doing business

Youngster is inoculated with vaccine from Chas. Pfizer & Co. Inc., world famous pharmaceutical manufacturer

Air Express speeds vaccine to Doctors . . . in just hours

A child comes down with flu. Then another. And another. The local Board of Health's supply of vaccine runs low. A wire is sent to Pfizer. A few hours later, all the children are inoculated. Only AIR EXPRESS delivers so fast, so dependably—anywhere in the U. S. This high-priority shipping service, the nation's most complete, is America's new way of doing business—even for day-to-day shipments. Kid-glove handling. Jet-age speed. Amazingly low cost. And just a single phone call is necessary. Whatever your business—parts, perishables or new models—with AIR EXPRESS you're FIRST TO MARKET . . . FIRST TO SELL!

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CALL **AIR EXPRESS** DIVISION OF **RAILWAY EXPRESS AGENCY** • **GETS THERE FIRST** VIA **U. S. SCHEDULED AIRLINES**

Letter," it is stated that a good business barometer to watch is the average workweek. We would like to know where we could find a weekly report which indicates the average hours worked in manufacturing.

C. E. PLOEGER
Director of Engineering
Bendix-Westinghouse
Evansville, Ind.

►*The average workweek for many industries is computed monthly by the U. S. Department of Labor, Washington 25, D. C.*

Up-to-date information

It has been my experience that I have been able to obtain more up-to-date self-development information from NATION'S BUSINESS than I have from most of the business magazines I receive. In addition, it has provided me with many quotable quotes to fortify me in my business discussions. I have been maintaining a file of articles from NATION'S BUSINESS and I find my file is getting pretty thick.

L. T. MATTHYS
Advertising Manager
National Automatic Tool Co., Inc.
Richmond, Ind.

Saying "No" gets a "Yes"

I read with interest the article entitled "Make Your 'No' Creative." It was one of the best articles I have ever read.

HAROLD R. DEJAEGER
Secretary-Treasurer
Oxford University Press, Inc.
Fair Lawn, N. J.

Defends U.S. retirement pay

A debatable statement occurs in the November issue of Management's Washington Letter: "After 20 years of service and with no personal contributions at all, a person may retire from military service without regard to age."

Where was this information obtained? Perhaps the writer would like to forego vacations, as members of our division have done since 1948, drive 60 or more miles each week to drill and spend week ends soldiering away from our families. We get paid, yes, but each commander has little or nothing to show for it because of lost equipment, uniforms, recruiting contest prizes, etc. These U. S. Army Reservists stay not for the desire of money but for the love of country and the military.

They deserve a retirement pay—they earn it.

JACK CHRIST
Maj. Inf. Ex. Off.
3rd BG 22nd Inf.
Blackfoot, Idaho

►*Source of our information: U. S. Budget.*

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✓ WATCH THIS ISSUE

Space race debate grows

Congress will try to find out what's needed to win

CONTINUED SOVIET space feats, coupled with this country's frequent setbacks, are stimulating demands for greater government action on space projects.

Americans will hear more about this issue as the House Science and Astronautics Committee opens a broad investigation of the national space effort this month.

The committee, headed by Democratic Representative Overton Brooks of Louisiana, will question whether the Administration's space program is properly geared to put this country ahead of Russia. Federal space officials are expected to maintain that a steady, gradual effort is the best path toward true progress—even though it doesn't always appear spectacular.

Senate Majority Leader Lyndon Johnson's Aeronautical and Space Sciences Committee will also hold hearings during this session of Congress. The precise line of questioning the committee will follow is not yet known.

Other congressional committees are expected to question officials on space matters, including how the management of our entire program can be made more effective.

Interviews with government officials and space experts indicate this will be the likely outcome of the space debate:

Federal spending on space projects will rise moderately from the nearly $1 billion level planned for this fiscal year, which ends next June 30.

The government will seek better management of the over-all space program by centering control of major projects in a single civilian agency, the National Aeronautics and Space Administration.

Most military experts are skeptical of the immediate value of space for national defense.

The space issue is important to businessmen for several reasons. Space success—or failure—influences U. S. prestige in a world that is watching western competition with communism. Projects for space exploration promise to claim a greater share of tax dollars in the years ahead. Moreover, some projects will be of eventual value to industry. These include earth satellites that would scan clouds for faster, more accurate weather forecasting, and radio-relay satellites for improved global communications.

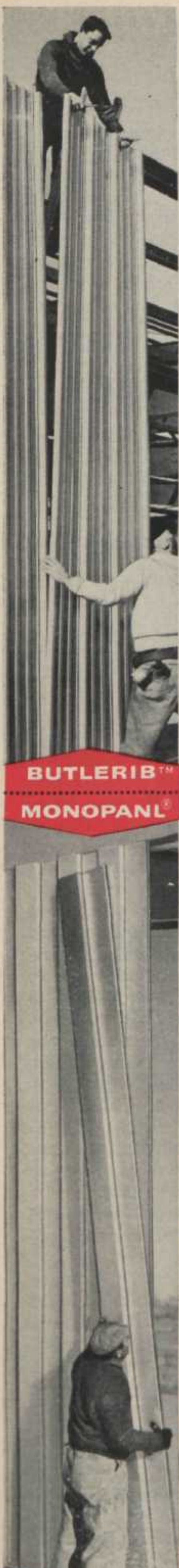
Each Soviet feat, such as the rocket that hit the moon last year, tends to generate an atmosphere of alarm in this country. Immediately, critics and space enthusiasts call for sharp increases in federal spending to speed rocket development and manned space projects.

Ironically, our success in perfecting warheads for missiles, in part at least, accounts for our present lag in space projects. Years ago, our efforts were directed toward reducing the bulky size of atomic warheads so they would fit into speedy, relatively small missiles. We accomplished this miniaturization and built rocket motors to fit.

The Russians, on the other hand, upon acquiring the atom bomb, started building tremendous rockets with the thrust to lift the huge warheads. These same rockets have sufficient thrust to soar off into space, producing many spectacular performances.

Most of our work in rocketry has been designed for direct military application.

However, the government is pur-



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Why settle for less than the best . . . build Butler, the lowest-cost way to build well. For details on Butlerib, Monopanl and other Butler features, call your Butler Builder. Ask him about Butler financing, too. You'll find him listed in the Yellow Pages under "Buildings" or "Steel Buildings". . . or write directly to us.

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SPACE RACE

continued

suing several space projects with great urgency, including a manned space capsule called Mercury. This device is designed to orbit 100 miles or so above earth with a pilot; initial manned Mercury flights are planned within 12 to 18 months. This venture will cost more than $300 million over the next few years. Officials believe the Mercury project will produce valuable scientific information, as well as contribute to national prestige.

The National Aeronautics and Space Administration also is embarking on a program to develop Saturn, a large rocket. This and other new space rocket programs will cost more than $2 billion over the next decade.

Despite these ambitious plans, many space enthusiasts are advocating even faster and more expensive crash programs. Dr. Wernher von Braun, technical chief of the government's Redstone Arsenal, wants to double outlays for Saturn. Spending on the project, still two or three years from completion, will total about $70 million this fiscal year. The German-born technician argues that the Saturn would be bigger than any known Russian space booster. More money, he claims, would produce it faster.

Dr. Leo Steg, of General Electric's missile and space vehicle department, argues that our space program lags five years behind that of Russia. But, he adds, the American people have not indicated to Congress that they are willing to pay for much larger space efforts. Most government space experts, however, insist that money alone will not hasten scientific progress. They prefer a continuous effort at a moderate spending level. Dr. T. Keith Glennan, administrator of the civilian space agency, says crash programs often are wasteful.

Increased spending would not guarantee faster results with technical programs.

"Pumping more money into space programs may force scientists and engineers to spend their time thinking up new ways to spend money," warns Dr. S. Fred Singer, University of Maryland astronomer and a recognized space authority.

Dr. Glennan predicts that spending will rise moderately during the next few years. Total outlays next fiscal year for all astronautical programs—scientific and military—are

(continued on page 53)

Empty stamp box blues!

"Know just how you feel! Many's the time I had to hoof it to the postoffice after five p.m., and stand in line on my high heels to buy stamps. Get smart, girl, and promote a postage meter — get rid of the stamp box, sticky stamps, and messy flap sealing."

A postage meter is a big help, in even the smallest office. It does away with old-fashioned adhesive stamps that require safeguarding. Ends slow and tedious lick-and-stick mailing. Protects postage from loss, damage, misuse. Provides automatic and accurate postage accounting. Anybody can stamp and seal a whole day's mail in minutes.

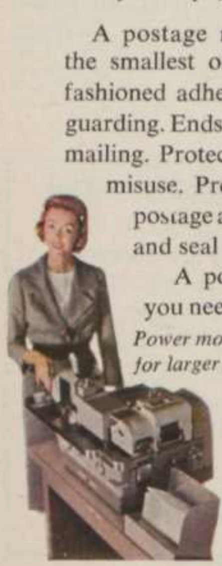
A postage meter prints postage as you need it—any denomination for any kind or class of mail. You always have the right stamp. Provides postage for parcel post on special gummed tape. And with every meter stamp, you can print your own small ad, if you like.

Metered mail, already postmarked and canceled, needs less handling in the postoffice, can often make earlier trains and planes.

The little, low cost DM, desk model meter, was designed for the small mailer. One third of DM users average less than $1 a day in postage. There's a meter model, electric or hand, to fit your needs. Ask the nearest Pitney-Bowes office for a demonstration. Or send coupon for free illustrated booklet.

FREE: *Handy desk or wall chart of new postal rates, with parcel post map and zone finder.*

The DM, desk model postage meter for the small office.



Power models for larger mailers.

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What '60 brings can change world's course

BY EDWARD T. FOLLIARD

THE BEGINNING of a new year—and of a new decade—finds Washington looking ahead to events that could profoundly affect the history of the United States for a long time.

In the spring, barring a hitch, there will be an East-West conference of the Big Four—President Eisenhower, Soviet Premier Nikita S. Khrushchev, British Prime Minister Harold Macmillan, and French President Charles de Gaulle. This meeting may determine what the world is to be like in the 1960's, and possibly for much longer than that.

In July will come the national conventions at which our two political parties will adopt platforms and choose their nominees for President and Vice President.

The election in November will be an extraordinary one in several respects. For one thing, it will be the first with 50 states. Also it will be the first in the Age of Space, and the first to give the United States a President born in the Twentieth Century.

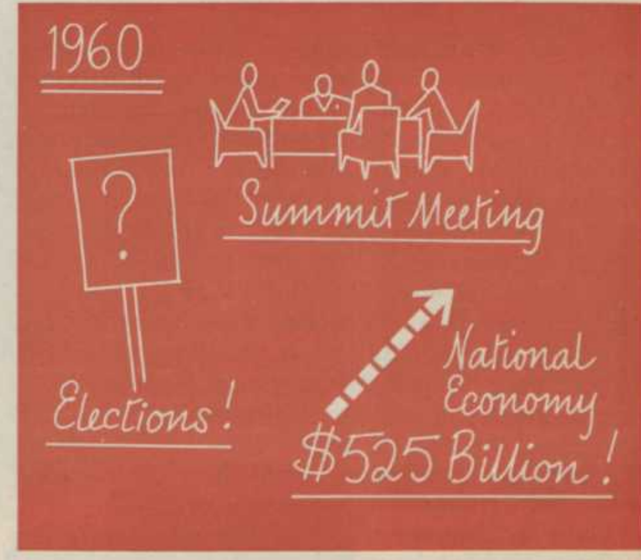
The year 1960 will be noteworthy for another reason. For the first time, our total output of goods and services is expected to pass the half-trillion mark. Dr. Emerson P. Schmidt, research director for the Chamber of Commerce of the United States, predicts a five or six per cent increase in output in 1960 over 1959, and a GNP rate of $520 or $525 billion.

But there is a condition in Dr. Schmidt's forecast. He says his rosy outlook could be upset by a renewal of the steel strike or a walkout on the railroads.

Government experts are predicting the federal revenue in the new fiscal year will total $83 billion, a record. This would mean not only a balanced budget, but a Treasury surplus of about $2 billion. Here again, however, much depends on whether the United States is to have labor peace in the year ahead. Federal statisticians figure that last year's steel strike cost Uncle Sam $600 million in revenue, including a $500 million loss in corporate taxes from the steel industry alone.

In this connection, Congress almost certainly will turn its attention to the problem of nationwide strikes such as the one in steel. The issue before the lawmakers will be clear-cut: How is the United States to protect itself against interruptions of production that so seriously affect the country's economic welfare, its military strength and its safety?

The 1960 presidential election doubtless will be greatly influenced by the world situation. There would be nothing new about this, since foreign affairs



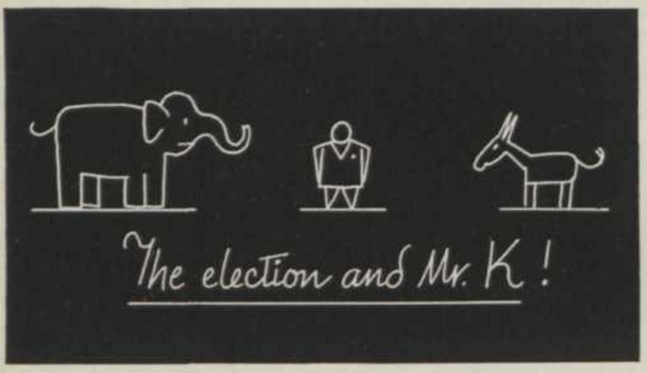
have been an important factor in most of our elections in the past 20 years. Leading Republicans say quite frankly that the fortunes of their party may rise or fall with the outcome of President Eisenhower's crusade for a peaceful world.

As the new year opens, the Gallup Poll indicates that Vice President Richard M. Nixon would defeat either of the two top Democrats—Sen. John F. Kennedy of Massachusetts and Adlai E. Stevenson of Illinois. This is a reversal of what the poll showed in

the spring and summer of 1959. What caused the reversal, along with the return of prosperity, was the Administration's switch to personal diplomacy, highlighted by Mr. Nixon's visit to Russia, President Eisenhower's far-ranging good-will trips and his talks with Soviet Premier Khrushchev.

If the Chief Executive is able to end the so-called cold war, or even to lay the foundation for world tranquility, the Republican nominee in 1960 will surely benefit—even though, theoretically, foreign policy is not an issue in the election.

This is another way of saying that Premier Khrushchev may, without meaning to, have a lot to do with



the outcome of our presidential election this year. A look backward, in fact, will show that he already has been responsible for the improvement in Republican prospects.

To understand how this came about, and to appreciate the astonishing change in the handling of our foreign affairs, it has to be remembered that, for nearly seven years, the Eisenhower Administration's policy was the same as that of the Truman Administration. That is to say, it was the tough policy of containing Russia, trying to prevent her from extending her system beyond the vast territories she took over during and just after World War II.

From time to time, President Eisenhower said that he would do anything and go anywhere if it would help bring a just and lasting peace. However, had it been suggested in 1953 or in the years immediately thereafter that he exchange visits with the Soviet Premier, the suggestion would have been widely criticized as dangerous and ridiculous.

Until last summer the Chief Executive was a firm believer in what he called "traditional diplomacy." He felt that heads of government should not meet until after their foreign ministers had conferred and worked out agreements.

Premier Khrushchev took a different view. When the foreign ministers were meeting in Geneva early last year and grappling with the Berlin problem—the crisis provoked by Russia's demand that the United States and her allies get their troops out of West Berlin in six months—Premier Khrushchev said the meeting was "a waste of time."

The Soviet dictator insisted that great decisions could only be reached at a summit meeting of the heads of government.

President Eisenhower told reporters repeatedly that he would not go to a summit meeting until the foreign ministers had reported progress, until there was "some promise of fruitful results" at the summit.

At a news conference on June 17, the President spoke out against the idea that foreign ministers had become useless, and that only heads of government could get anything done.

"I think this is a step backward in diplomacy," he said of the idea. "This is like Alexander and Napoleon meeting on a raft in a river and settling the fate of the world."

He was referring to the conference of the Emperor Napoleon of France and Czar Alexander of Russia in 1807. The two met on a raft moored in the Niemen River and agreed on a peace treaty by which Prussia lost nearly half her territory and population.

It was against such a background that President Eisenhower launched his spectacular adventure into personal diplomacy, inviting Premier Khrushchev to the United States, promising to go to Russia in the spring, and agreeing to attend an East-West summit meeting. This was a retreat from the position he held while John Foster Dulles was Secretary of State, but he justified the switch on the ground that the Berlin crisis was verging on hopelessness.

That is the way it happened. And although some argue that it was a triumph for Premier Khrushchev, who had long wanted to come to the United States and who had insisted on a summit meeting with no prior agreement by the foreign ministers, most Americans seem to approve the turn of events.

• • •

No prudent observer in Washington would dare predict what is to emerge from the new diplomacy. All that can be said at this time is that President Eisenhower is hopeful that East and West can come to some kind of live-and-let-live understanding.

As the year begins, Vice President Nixon is confident that he will be the G.O.P. standard-bearer, so much so that he already is planning the kind of campaign he will wage. The Californian could be wrong, of course, but he doesn't think that Gov. Nelson Rockefeller of New York can overcome the lead he himself now seems to have with Republican professionals and Republican rank-and-file voters.

Democratic leaders, in private conversation, confess that their bright prospects of a year ago have been dimmed, and that there is now a big question mark over the 1960 election. Meantime, they are extremely reluctant to predict who will be their presidential nominee this year. There is good reason for their reluctance—they just don't know.

The most remarkable aspect of the Democratic picture is the continuing boom for Adlai Stevenson, in the face of his two defeats in 1952 and 1956 and his insistence that he is not a candidate this year. His boosters predict that he will be drafted.

Former Governor Stevenson, born Feb. 5, 1900, is the oldest man among the possible nominees. The youngest is Senator Kennedy, born May 29, 1917.

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Here's way to meet school needs

BY FELIX MORLEY

IT IS HIGHLY PROBABLE that the decade of the 1960's, on which we are now embarked, will show much-needed improvement in the quality of our public education. The popular revolt against its downgrading, sometimes to almost moronic levels, has produced results.

From all sections of the nation come reports of firmer discipline, more exacting instruction and less waste of intelligent students' time. A thoughtful study, just published by the Council for Basic Education, gives evidence to show that "The future may be brighter than the past." But to show that the road ahead is uphill it also quotes a Chinese Communist report on their examination of thousands of Americans captured in the Korean fighting. All the discount that should be made for this as propaganda does not wholly remove its sting:

> "The American soldier has weak loyalties: to his family, his community, his country, his religion, and to his fellow soldier. . . . There is little or no knowledge or understanding, even among American university graduates, of U. S. political history and philosophy; the federal, state and community organizations; states and civil rights, freedoms, safeguards, and how these allegedly operate within his own decadent system."

The movement up from educational decadence, it should be emphasized, has not come as a result of federal aid. The effort to have public instruction increasingly financed, and therefore increasingly controlled, from Washington continues. But this year it seems more feeble. There are no longer any valid arguments for taking the financing of education away from the localities, where the knowledge of both school needs and school accomplishment is naturally most complete.

The responsible nature of this local control was clearly shown by the voting two months ago. Being an off-year, politically, last November's election was to a large extent concerned with the approval of bond issues for local improvements, predominantly in educational facilities. A nationwide analysis of results shows that a large majority of these were authorized by popular vote, even though it was often close. In New Jersey, for instance, that favoring an issue for expansion of state teachers' colleges was in the ratio of nine to seven. This prompted Gov. Robert B. Meyner, who had supported the commitment, to voice a warning to his state department of education: "You'd better give us a program because we're not overwhelmingly for it"—meaning expansion for the sake of new buildings alone.

MAROON

The drive for federal aid to education is fading in face of stronger local effort

Wherever and whenever school administrators are thus under the gun of democratic control they are encouraged to think more of fundamentals and less of frills. For nothing will more effectively prod a citizen to cast a negative ballot than knowledge that educationists are playing ducks and drakes with his hard-earned money. There was no school bond issue

up in the Massachusetts community which this academic year established a high school course in baby sitting—nor in the Michigan city which is reported to have accepted free classroom kits on "the five basic bra types" from an enterprising manufacturer.

Enforced economy for school boards that tolerate this sort of nonsense may, of course, be a ruthless operation. Sometimes the baby is thrown out, along with the dirty bathwater. But careful investigation shows that in most cases where a bond issue for school expansion is voted down, some extravaganza of the type cited is in the background. To cut off funds is the traditional and healthy American procedure when administrative inanity runs riot.

The drive for federal aid to education has been largely sparked by school administrators who would like to bypass these harassing local controls. If funds for the public schools were derived from federal taxation, and then distributed by the Department of Health, Education and Welfare, there would be no need for county or municipal bond issues in this field, and therefore no customer control over educational vagaries. It is assumed, with reason, that the experimenters in Washington would be much more sympathetic to "life adjustment" courses than are those old-fashioned parents who still regard the three R's as more important.

The budget just drafted for congressional consideration shows that a considerable percentage of the expenditure on public education is already financed from the national Treasury. But the lion's share must still be raised locally, and evidently the wise controls at that level will not be lightly abandoned. This was indicated by failure of the recent effort to amend the New York State Constitution so that New York City might disregard its debt limit in borrowing for schools or other purposes. In November the voters rejected this move toward irresponsible financing by a thumping three to two majority. So New York City must make do with the schooling for which its own taxes will pay—a limitation which the central government is able to disregard.

But the drive for federal aid to education has lost steam for reasons other than the demonstrated efficacy of local controls in chopping down extravagance. People have come to realize that all the money involved would necessarily be drawn from taxpayers in the various states, and then redistributed back, less heavy handling charges. This means that many states would have to divert funds from their schools in order to support public education in others that very likely do not need the assistance. Research by the U. S. Chamber of Commerce two years ago showed that the federal aid bill then pending would have meant a net loss for 14 states and only an infinitesimal gain for four others. The second highest beneficiary would have been Alabama, which without this help has been able to find educational funds for clinics to develop "a positive approach to cheerleading" at its state university.

Furthermore, while there has been an unquestionable emergency in public school financing, this is now steadily decreasing. The terrific pressure from swollen enrollments is now lifting. But we should realize how heavy it has been. Since 1900 the factor of population increase for the country has been about 2.5, while that of the increase in high school enrollment has been about 15, much of it during the past decade. In the elementary grades, on the other hand, school enrollment has enlarged only a little more than the general population growth.

This disproportionate increase in the upper bracket of the school population has, of course, thrown abnormal strains on school administrators. Some of their seeming aberrations may charitably be excused by reason of the dislocations they have had to face. But whatever the reasons for the sharply increased load, and they are numerous, the big point is that its major effect is now over. School enrollment during the decade now opening will not climb anything like as rapidly as was the case in the 1950's. Precisely because it soared so high then, the leveling-off tendency will now be the more pronounced, as cogently emphasized by Mr. Roger Freeman in his very thorough study of "School Needs in the Decade Ahead."

• • •

In 1950 the phenomenon of high school growth could reasonably be used to support the case for federal aid to education—as an emergency measure. Now it is no longer valid and has become just another exploded weapon in the arsenal of the educationist lobby. But this is far from saying that there are no overcrowded and understaffed schools; no underpaid and overworked teachers. Especially in the most rapidly growing communities, those problems are often acute.

Publicity for the absurdities perpetrated in many schools, under the specious title of "life adjustment," is desirable. Subjected to justified ridicule, these absurdities wither away. But the reaction against them should never extend to the multitude of public schools which are trying to do a thorough and painstaking job of education, and receiving all too little credit simply because there is no news in the conscientious performance of duty.

Fortunately, there is little evidence of any punitive reaction from parents whose children have had all too little fundamental education. On the contrary, the elections in November showed thoughtful discrimination on the part of the voters. While the effort to evade debt control was defeated in New York, a long list of cities voted by big majorities to increase local taxes for school financing. St. Paul, as one illustration, approved a large expenditure which had previously been rejected there. One may surmise that this followed an improvement in school performance.

Certainly such improvement is now happily apparent, in many places, in many ways. It means that there is no need for this session of Congress to waste time in the consideration of federal aid to education. By the same token it means that every school board now improving the quality of instruction should receive the sympathy, the support, and above all the active interest, of that civic leadership in which businessmen play so significant a role.

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PARKINSON'S SECOND LAW:

"EXPENDITURE RISES TO MEET INCOME"

C. NORTHCOTE PARKINSON, the British historian-humorist, reveals some unfunny facts about our tax system and how it can strangle our freedom

"Allow me to observe," said the patient, "that I must earn $44,500 to give you $800"

AN EXTREMELY WEALTHY MAN underwent an extremely serious operation at the hands of an extremely distinguished surgeon. Ten days afterwards the surgeon asked how his patient was progressing.

"Doing fine," said the supervisor, "He has already been trying to date Nurse Audrey, a sure sign of convalescence."

"In that case," said the surgeon, "the patient needs something to steady his pulse. I shall tell him what the operation cost."

The patient sobered down under this treatment and did some rapid calculations on the back of his temperature chart.

"Your fee of $4,000," he finally concluded, "represents the proportion I retain from the last $44,500 of my income. To pay you without being worse off would mean earning another $44,500 dollars more than last year; no easy task."

"Well," replied the surgeon, "You know how it is. It is only by charging you that much that I can afford to charge others little or nothing."

"No doubt," said the patient. "But the fee still absorbs $44,500 of my theoretical income. Might I ask what proportion of the $4,000 you will manage to retain?"

It was the surgeon's turn to scribble calculations, as a result of which he concluded that his actual gain, after tax had been paid, would amount to $800.

"Allow me to observe," said the patient, "that I must, therefore, earn $44,500 in order to give you $800 of expendable income; the

This article has been adapted from C. Northcote Parkinson's book, "The Law and the Profits" (Copyright 1960), which will be published next month by Houghton Mifflin Company, Boston, Mass.

entire balance going to government. Does that strike you as a transaction profitable to either of us?"

"Well, frankly no," admitted the surgeon. "Put like that, the whole thing is absurd. But what else can we do?"

"First, we can make certain that no one is listening. Are you quite sure that we can keep this strictly to ourselves?"

"Quite sure," the surgeon replied after quickly opening the door and glancing up and down the corridor. "What do you suggest?"

"Come closer so that I can whisper. *Why don't I give you a case of Scotch and so call it quits?*"

"Not enough," hissed the surgeon, "but if you made it *two* cases. . . .?

"Yes?" whispered the patient.

"And lent me your cabin cruiser for three weeks in September. . . ."

"*Yes?*"

"We might call it a deal!"

"Done!"

"That's fine. And do you know what gave me the idea? I studied Parkinson's Law and realized that excessive taxation has made nonsense of everything!"

"Rubbish, my dear fellow. Parkinson's Law has nothing to do with taxation. It has to do with overstaffing—of which, by the way, this hospital provides some interesting examples. In parisitology, for—"

"You are referring to Parkinson's *First* Law. I am referring to his *Second* Law."

"I never heard of it. It concerns taxation, you say?"

"It concerns taxation. It also concerns you. Now, listen. . . . Listen carefully. *Expenditure rises to meet income!*"

When an individual has a raise the extra salary is silently absorbed

Expenditure rises to meet income. Parkinson's Second Law, like the first, is a matter of everyday experience, manifest as soon as it is stated, as obvious as it is simple.

When the individual has a rise in salary, he and his wife decide how the additional income is to be spent: so much on insurance, so much to savings bank. They might just as well save themselves the trouble, because no surplus ever comes into view. The extra salary is silently absorbed, leaving the family barely in credit and often, in fact, with a deficit which has actually increased. Individual expenditure not only rises to meet income but tends to surpass it.

What is true of individuals is also true of governments. Whatever the revenue may be, there will always be the pressing need to spend it. But between governments and individuals there is this vital difference: The government rarely pauses even to consider what its income is.

Departmental demands are consolidated and officials decide how revenue can be made to equal expenditure

Were any of us to adopt the methods of public finance in our private affairs, we should ignore the total of our income and consider only what we should like to spend. We might decide on a second car, a country place in the Catskills and a long holiday in Bermuda. All these, we should tell each other, are essential. It would remain only to adjust our income to cover these bare necessities.

A government, by contrast, which applied the methods of individual

finance to public expenditure would begin by attempting to estimate what its actual revenue should be. Given so much to spend, how much should be allocated to what? A federal government which decided upon this novel approach would be responsible for a revolution in public finance. Such a revolution is now generally overdue.

Governmental, as opposed to individual, income is historically linked with war. In all systems of revenue there has always been provision for the temporary expenses of conflict. In times of emergency, with our interests, our beliefs, our pride or even our existence at stake, we agree to pay almost anything as the price of victory.

The war ends and with it the temporary expenses. In theory the revenue should fall to something like its previous level. In practice it seldom does. While the governmental income remains almost at its wartime level, peacetime expenditure rises to meet it. In times past the action of this law was slightly restrained by two considerations which no longer apply.

In the first place, it was usually felt that taxes had to be reduced somewhat in time of peace in order to allow for their being raised again in time of war.

During a century, however, when each war is judged to be the last, this theory finds no further support.

In the second place, there are types of personal extravagance which yield only a diminishing return. To the provision of banquets and the enjoyment of dancing girls there is (eventually) a physical limit. The same is not true, unfortunately, of departmental and technical luxuriance.

In countries such as Britain and the United States the initiative in public finance comes from subdepartments of government which decide each year on their needs for the year to come. After allowing for present costs and future developments the experienced civil servant adds ten per cent to the total, assuming (not always correctly) that his bid will be challenged at some stage by the financial branch.

Assuming that the expected wrangle takes place, the added ten per cent is deleted at the departmental level when the combined estimate comes to be drawn up. To this estimate the head of the department adds ten per cent again, assuming (not always correctly) that his bid will be challenged by the Treasury. After the expected dispute, the revised estimate is laid before the responsible Minister who consolidates all the departmental demands and decides how the revenue can be made to equal the expenditure. With the agreement of his colleagues, he presents the nation with the bill. Here is the sum total of what the government needs, and these are the taxes which the people will have to pay.

What is to be done? The modern instinct is to frame new regulations and laws, of which there are already more than enough. The better plan is to remotivate the people concerned, penalizing the extravagance we now reward and rewarding the economy we now penalize. As a first step toward redirecting the flood, we need to reverse the whole process of government finance. Ministers should begin by asking what the country can afford to spend. *(continued on page 56)*

Professor C. Northcote Parkinson is best known in this country for his now famous satire on administrative bureaucracy, "Parkinson's Law."

Now he has written another thought-provoking book, "The Law and the Profits" which will be published in February by Houghton Mifflin.

Nation's Business presents a condensation of several key chapters from the forthcoming book.

Professor Parkinson currently is lecturing at the University of Illinois. His regular teaching post is the Raffles Chair in history at the University of Malaya.

WHY YOU SHOULD

. . . as a Republican

BY SEN. THRUSTON B. MORTON
Chairman
Republican National Committee

PHOTOS BY ROBERT PHILLIPS

POLITICS is everybody's business. Therefore, everybody properly belongs in politics. Every citizen should participate fully in the political processes through which the American people choose their elected representatives and shape the course of their government.

Moreover, if businessmen are to achieve maximum effectiveness in politics, they should work toward this goal primarily as citizens, rather than as spokesmen for, or representatives of, only one segment of the economy. As a businessman who jumped all of the way into politics, I can testify that this kind of activity is stimulating, challenging and, at times, even entertaining.

Every American has a selfish interest in maintaining a strong, prosperous and expanding economy. But those who turn to politics in the hope of achieving only direct, material gains are likely to be disappointed. There will be a deep sense of accomplishment within the citizen who seeks as his principal reward the knowledge that his political activities have helped to elect well qualified candidates and to bring about better government.

If the two-party system is to function effectively, it must have broad support. It would be unfortunate if any single economic group were to win unchallenged control of either the Republican or Democratic parties. The two-party system probably could not survive if either of the major parties lost its identity as a national organization, representative of numerous groups and many areas.

New splinter parties such as have evolved in other countries would inevitably emerge. There might be a farmers' party, a veterans' party and a state's rights party, as well as innumerable other parties representing various economic and regional groups.

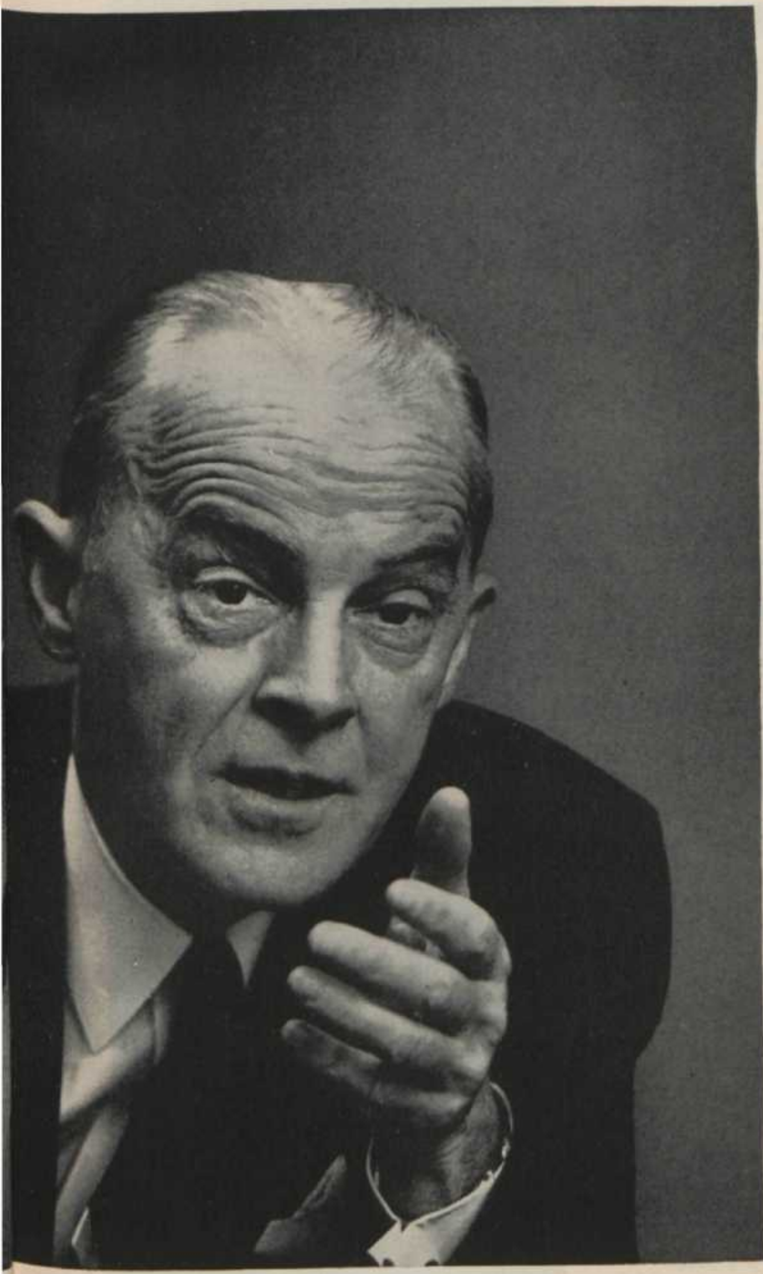
With this would come complete political chaos.

It seems to me that businessmen can help to prevent such a development by becoming more active in the affairs of both political parties. And by becoming active, I mean much more than just registering and voting. Men and women *(continued on page 42)*

GO INTO POLITICS

. . . as a Democrat

BY PAUL M. BUTLER
Chairman
Democratic National Committee



DURING THE PAST two decades or more, we have heard strong appeals to businessmen from the Republican Party claiming that it is dedicated to the preservation of private enterprise and that the Democrats are out to destroy it.

That this broad generalization has no basis in fact has not stilled the voices of ultraconservatives seeking to maintain the status quo in our rapidly changing society. No doubt we will hear more of this talk in the 1960 campaign. But I suppose that we Democrats can consider ourselves lucky if that is the worst that we hear. At least, let us hope that there will be no repetition of the charges made during the past two presidential election campaigns when Republican spokesmen accused Democratic leaders of being sympathetic to communism.

As Americans first—above and beyond party affiliation—let us decide this campaign on the issues; and let those issues be so clearly defined for businessmen and industrial workers, for farmers and white-collar workers, for housewives and new voters, that their ballots next November may be cast with the conviction that comes from knowledge and understanding of what they are voting for.

Fortunately for both parties, and the country, not all businessmen feel that their best interests are served by the Republican Party. We proudly count many businessmen as Democrats and scores of them have served in the Democratic Administrations of Presidents Franklin D. Roosevelt and Harry S. Truman.

I agree wholeheartedly with Republican National Chairman Morton's stated belief that "it would be disastrous for the nation and for the party itself if any single economic group were to win unchallenged control of the Republican Party." I believe that businessmen have just as important a role to play in our national political life as does labor. But I do not believe that either business or labor should control either of our two major political parties and dictate their policies. American business underwent far-reaching changes under the *(continued on page 40)*

THE DECADE AHEAD

SIX CHANGES THE '60s WILL BRING

Trends already visible will demand these new action steps by business

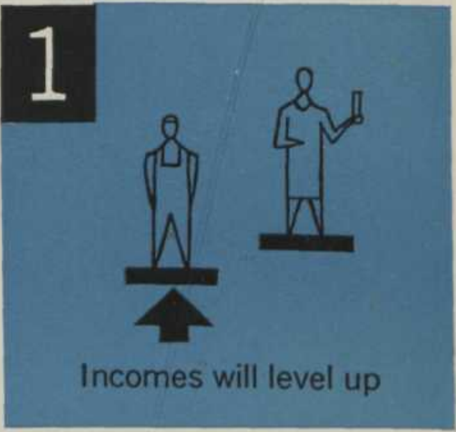
THE 1960'S WILL DEMAND of the business leader a new breadth of vision. He must be able to understand and pay attention not only to economic and technical forces but to social and political forces that influence the lives of his employes, suppliers, customers, competitors and government regulators.

What are these forces? And what should the business executive do about them? All the forces that will bedevil the business executive in the 1960's are not yet plain, nor are the remedies. But six forces can be identified and the need of being ready for change can be made clear.

Family income

The increasing equality of incomes at differing economic and social levels will create inviting markets and irksome employe problems in the 1960's.

By 1970 some 40 per cent of America's families will have after-tax annual incomes of $7,500 and more. When annual income reaches a $7,500 level, a portion of spending becomes discretionary. The fam-



3

Labor force will change

4

Urbanization will continue

5

Government will cooperate

6

We'll trade more abroad

ily can meet the bills for food, clothing, shelter, and minimal medical care and decide for itself how it will spend some small additional amount. Here is a market to be cultivated by those who recognize what is happening and seize upon it.

Simultaneously, this leveling of family incomes will pose a new employe relations problem. Most employers need an increasing proportion of technical and scientific employes. As this need emerges, the relative status of technicians and scientists tends to decline, at least in terms of pay, because the earnings of unskilled and semiskilled workers are being raised.

In 1939, according to census figures, the professional worker earned 2.12 times the annual earnings of laborers; in 1957, his earnings were only 1.61 times the laborer's pay. The technician's or scientist's desires for status are not measured by money alone. But if the laborer, too, can have the suburban split-level home and a new car, what added material symbols of status will be given the scientist?

Leisure time

Personal freedom will have new meaning in the 1960's for those citizens who have discretionary dollars to spend. It will attain still more meaning as their leisure time increases. The increasing number of aged will have more leisure than they want.

Organized labor will continue to squeeze the average workweek from today's 40 hours to 37 or 38 hours by 1970.

An increasing number of trades will have a standard workweek of less than 35 hours. To meet the pressure for shorter hours and higher wages, the executive will be forced, as always, to find ways to increase productivity.

Leisure will be a less wanted benefit for a substantial minority of the 20 million Americans who will be more than 65 in the 1960's. Pension levels, public and private, will rise, but many aged citizens will want to and will be able to continue to work.

The result: Executives will face increasing pressures to raise retirement *(continued on page 44)*

TEST YOUR LEADERSHIP POTENTIAL

Psychological factors determine who can inspire followers

"WHAT ARE THE QUALITIES that make a leader?"

New answers to this question are being found by psychologist Marvin Schiller of the Chicago consulting firm of A. T. Kearney and Co. He has developed a test (samples are reproduced on the opposite page) designed to select those who possess what psychologists call "ego-strength," which Dr. Schiller feels is a necessary quality of leadership. Having ego-strength, however, doesn't assure that you'll be a leader. Without it, chances are you will not.

Ego-strength is the ability to choose realistically a course of action and behave in a manner that will bring the most productive results.

Without belaboring the Freudian theory of the ego, it may help in grasping the concept of ego-strength by comparing the personality to an iceberg—one-ninth of which is exposed and eight-ninths hidden below the surface. This hidden part of the personality is the unconscious. It is divided into the "id" and "superego." The id is the name for our most primitive and animalistic drives. The superego is the strict conscience and ideal standards we all strive for.

The exposed part of the personality is the ego. This is the person everyone recognizes. The ego controls the way you react to a situation, your mannerisms, your way of looking at life, your speech. It is the "I," the "self."

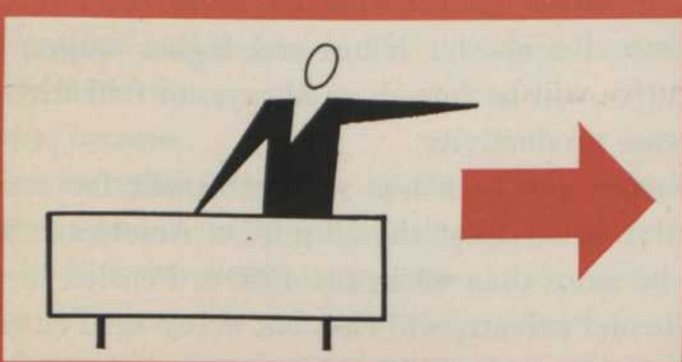
The role of the ego is similar to that of the executive. It adapts the urges of the id and the superego to the outside environment.

Say you're in the office. The boss comes through and tells you to hurry up with a report. The boss is the outside environment. Your id may tell you to punch him in the nose. The superego will warn you that such action is wrong.

Your ego, or the executive part of your personality, decides what you will do—hit or not hit. The action you take is you. That's what people recognize and expect in you.

The mature ego will decide to get the report out in a hurry. The person with ego-strength will probably not have to be reminded to hurry the report along. He will be doing the report and probably providing additional creative material also.

Dr. Schiller's thoughts on ego-strength as one of the characteristics of leadership potential bridge a gap between the two most prevalent theories existing on the subject.



EGO-STRENGTH: ability to choose realistic course of action

One of these is called the "great man theory." It holds that certain individuals, because of inborn or developed traits, will become leaders regardless of the situation in which they are placed, whether in a rough and tumble logging operation or at the most sedate conference.

The other theory maintains that a leader is the product of the group situation. Under different circumstances, different men will emerge as leaders. The man who is the natural leader of a manufacturing operation might not be chosen to run an advertising agency.

Dr. Schiller's research leads him to believe there is truth in both of these theories, but that a more accurate theory is based on ego-strength. That is, a person emerging as a leader is likely to possess ego-strength, or the "mature productivity," which will single him out as the man the group is looking for to get the job done. The person with ego-strength will not necessarily become a leader in all situations though, because such personal assets have limits.

He emphasizes that many creative people high in ego-strength may not become leaders; their ability is channeled into other activities. Also, many do well in top executive jobs who are not natural leaders.

Dr. Schiller's conclusions also analyze the personality traits of the leader, instead of simply accepting the almost mystical "great man theory."

The test he devised is built primarily on work by H. A. Murray and C. Kluckhohn of Harvard University in the book "Personality in Nature, Society, and Culture." The authors outlined characteristics of personality based on ego-strength and Dr. Schiller concluded that these characteristics signal leadership potential.

He has tested his theory on hundreds of university students and plans further validation of it in tests with businessmen.

ARE YOU A LEADER?

Your true-false answers to these statements can serve as a measure of your ego-strength.

1

People seem impressed with my ability to think and speak in a logical, coherent manner.

☐ TRUE ☐ FALSE

2

Once I start a project it's hard to get me away from it.

☐ TRUE ☐ FALSE

3

Living and working by a schedule takes most of the challenge out of tackling a problem.

☐ TRUE ☐ FALSE

4

I believe that it is important always to keep an eye open for the person who might try to take over my job.

☐ TRUE ☐ FALSE

5

I do not like to make long-term promises because I have found that they may be hard to keep.

☐ TRUE ☐ FALSE

6

I find no difficulty in applying my mind to an assigned topic.

☐ TRUE ☐ FALSE

7

I do not mind handling a job all alone, even if it means utter solitude for a while.

☐ TRUE ☐ FALSE

8

Going along with all the demands of a superior is often a better approach than trying to tell him what I think.

☐ TRUE ☐ FALSE

9

If a task proves too difficult, for me I try to avoid it in the future if I can.

☐ TRUE ☐ FALSE

10

I usually need to be encouraged when I am at work.

☐ TRUE ☐ FALSE

11

I have found myself able to predict the behavior of others.

☐ TRUE ☐ FALSE

12

I understand myself and many of the motives underlying my behavior.

☐ TRUE ☐ FALSE

13

I am not certain of my ability or of the goals I should like to strive for.

☐ TRUE ☐ FALSE

14

I have no trouble making a choice between alternative courses of action.

☐ TRUE ☐ FALSE

15

I do not mind having responsibilities, no matter how big they may be.

☐ TRUE ☐ FALSE

Turn to page 50 for an analysis of your answers. Remember, these are samples from a series of questions.

HOW TO MAKE A PROFIT OVERSEAS

These methods can help you when your business goes international

AS THE FIGHT for markets becomes world-wide, U. S. companies of all types are going international.

Men, money, machines and methods are being shifted to overseas markets at a rate that has tripled direct foreign investments by American companies in 10 years.

Resulting from this migration are foreign operations of such varied types that a company of any size should be able to find a method that would reinforce its competitive position in a world that is rapidly becoming a common market.

Among these operations are:

- ▶ The Western Hemisphere Trade Corporation.
- ▶ The International Subsidiary Corporation.
- ▶ The International Tax Haven.
- ▶ The International Branch.
- ▶ The International Partnership.
- ▶ The World Trade Corporation.
- ▶ The International Trade Corporation.
- ▶ The International Licensee.
- ▶ The International Division.

Companies which are contemplating but have not yet begun foreign operations will find an analysis of these methods a useful guide.

You don't have to probe too deeply to uncover the reasons why more and more U. S. companies are going international. Perhaps the two most compelling reasons are:

The need to find fresh deposits of minerals, metals and other materials to replenish our diminishing domestic reserves.

The desire to maintain a strong competitive posture in the rush of emerging mass markets, especially of Europe and Latin America, and in the underdeveloped countries.

Squeezed between the tightening trade barriers of communities abroad, the revision of foreign investment laws to encourage and protect home industries, and the mounting competitive drive of rehabilitated European and Japanese plants, an increasing number of U. S. companies have found it necessary to extend subsidiary assembly lines into more and more countries.

Accepted today is the premise that to sell abroad you must produce abroad.

Businesses of all sizes are finding foreign connections fruitful and investment risks attractive. Here are the reasons that sway management to shift operational bases overseas:

- Lower taxes.
- Lower cost of labor.
- Lower cost of materials.
- Less costly interchange of components between overseas plants.
- Lower cost of transportation, internal and international.
- Easier access to export markets due to easier currency exchange.
- Freer availability of export credit insurance in some markets.
- Lower investments in plant and equipment.
- Larger profit margins.
- Larger retention of earnings for reinvestment.
- More flexibility in dividend schedules.
- Larger depreciation allowances.
- More opportunity to keep informed on new processes, new products, new inventions.
- More direct contact with local consumers and users.

Contributing inducements also exist in:

- The trend abroad toward easy investment laws, especially in the underdeveloped countries which are offering tax holidays, industrial park facilities and other incentives.
- The development of common market programs, not only in Europe but in the West Indies, Central America, and lately in South America, all aimed at creating mass markets to support their industrial expansion.
- The growing international pool of skilled and semiskilled workers and supervisory personnel who have acquired American know-how in on-the-job training programs, as assembly, production and distribution channels are laid down in more and more countries.
- The trend among U. S. companies to import components and, in some cases, whole equipment from their branches or from subsidiaries

abroad for domestic end-use and distribution.

- The increased scope of U. S. government lending agencies, the providing of supplementary working funds and of qualified investment guarantees to international divisions of American industry.

While these factors are not present in all cases or in all countries, the investment advantages, on balance, often outweigh the deterrents. Despite the political uncertainties, the danger of expropriation, the variable problems to which any new enterprise is subject, U. S. companies are accepting the risks for the sake of foreseeable profits and a stronger competitive position in international markets.

The American Management Association, late in 1958, undertook to determine how representative U. S. companies were building their branch and subsidiary structures overseas. After examining data filed by 154 U. S. firms, 30 company case studies were made to develop a balanced picture in terms of size and fields of activities. This report, entitled "Organizing for International Operations," will be published in February. Here is an analysis of the nine international company structures and management patterns.

Western Hemisphere Trade Corporation

This form is useful if the parent company has substantial operations in the Western Hemisphere, excluding the United States. The Western Hemisphere Trade Corporation pays a U. S. income tax at a rate roughly 14 per cent lower than domestic corporations, resulting in a considerable saving. Among other advantages, the parent company may deduct 85 per cent of dividends received from the subsidiary and liquidation can be handled under the tax-free provisions that apply to domestic subsidiaries.

On the other hand, corporations of this type must conduct substantially all their business, including purchases and sales, within the Western Hemisphere. The WHTC offers no immediate tax relief to the parent if losses are sustained. Ordinarily it is subject to a penalty surtax on unreasonable accumulations of earnings.

The International Subsidiary Corporation

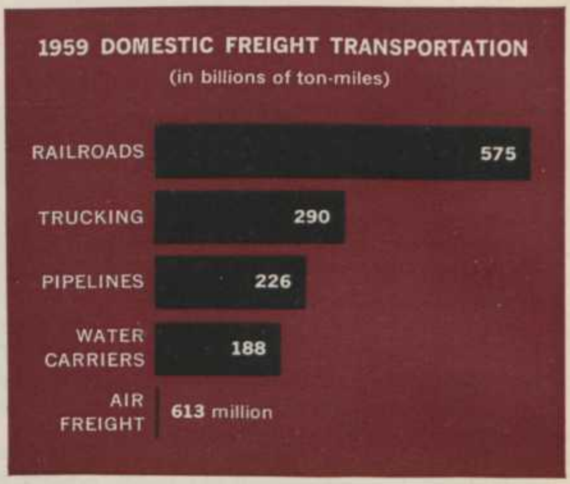
This type of structure offers the greatest flexibility and tax saving.

(continued on page 54)

COMPARATIVE ADVANTAGES of these nine major channels for trade abroad are explained in this article . . .

HOW'S BUSINESS?

today's outlook



AGRICULTURE

Existing trends affecting farming and related businesses will continue in 1960, according to U. S. Department of Agriculture economists.

Net farm income will decline again in 1960, but probably only about half as much as the 15 per cent drop expected for 1959. The principal reasons—slightly lower average prices and a further increase in certain farm production expenses, particularly industrial items, wages, interest and taxes.

On the favorable side, domestic demand for food and fiber is expected to be even greater than in 1959. Agricultural exports may reach $4 billion. Anticipated higher exports of cotton account for most of the probable increase. Further improvements in markets are likely for dairy products and rice.

Pressures for adjustments in agriculture will continue.

Shifts to greater production on commercial farms and toward more specialization will increase both the demand for production goods bought from industry and the volume of feed and livestock transfers between farms.

CONSTRUCTION

A family that moves into the average public housing unit started in the first eight months of 1959 will be occupying a dwelling that cost about $12,625 to build.

This is substantially above the $12,100 estimated average construction cost for private dwelling units started in the same period.

Some startling disparities arise, from time to time, between public and private housing construction costs. For example, for dwelling units started in July, the estimated average construction cost was $14,900 for public units and $12,100 for private. For August, it was $14,325 for public and $12,200 for private dwellings.

These costs illustrate recent trends.

Without the effective control of the market, which holds costs in check in the case of private owners and renters, costs of subsidized housing hit higher averages.

CREDIT & FINANCE

The demand for loan funds continues heavy. Commercial bank loans increased every month last year, although normally there is a decline in the first half.

This pressure for loan funds, coupled with the Federal Reserve's anti-inflation policy, forced banks to sell more than $8 billion of government securities. Some blame the Federal Reserve for the rise in interest rates, but actually, it is the scarcity of loan funds which is the cause; in the first three quarters of 1959 borrowings reached $41.3 billion, as against only $24.8 billion in the first three quarters of 1958, an increase of more than 66 per cent.

Expenditures by the government, consumers and industry are expected to rise in 1960. Personal income should rise by approximately $25 billion.

DISTRIBUTION

Following a $200-billion-plus sales record in 1959—an all-time high—most retailers take a rosy view of sales volume prospects for the first half of 1960. Service trades and wholesalers agree.

Optimism stems from rising personal incomes, more consumer spending, and the attitude of consumers.

Advertising volume, exceeding $11 billion in 1959, also set an all-time record, and the Association of National Advertisers reports that its members will spend an average of 10 per cent more in 1960.

Still another record was rung up in the food and grocery products field in 1959. The Grocery Manufacturers Association reports that, although prices paid at the grocery store averaged 1½ per cent lower than in 1958, the increase of four per cent in tonnage lifted total dollars spent to a new all-time high.

Price pressures still persist in many lines, however. The consumer price index shows that prices of certain wearing apparel, fuel, and various services are pressing steadily upward.

FOREIGN TRADE

The lure of the European Common Market for the U. S. investor is still undiminished by the emer-

gence of the "Outer Seven," a new European trading combine.

The Common Market countries are France, West Germany, Belgium, Holland, Italy and Luxembourg. The Outer Seven include Austria, Britain, Norway, Sweden, Denmark, Switzerland and Portugal.

Some experts foresee the two groups in competition so fierce that they may split politically. This would pose serious problems for U. S. companies which have manufacturing plants or licensing arrangements in Europe. It might require costly duplication of facilities to benefit from both markets. On the other hand, many people believe that an eventual merger of the two trading areas can and must be worked out.

Where this leaves U. S. companies now exporting to Europe, however, remains in doubt. The fact that members of both trading areas are contracting parties to the General Agreement on Tariffs and Trade (GATT), as is the United States, offers some hope. The real test of GATT's effectiveness as an arbiter will come when world-wide tariff talks begin in Geneva next September.

GOVERNMENT SPENDING

Odds are against a balanced budget for fiscal 1960. Best estimates are that federal revenues will be about $750 million less than predicted and that the deficit will reach $500 million by June 30.

The budget for 1961 will recommend expenditures of around $81 billion.

The scramble to put a man into space is costly and, at least indirectly, competes for funds with missile programs. Observers are eager to see how far the proposed budget will go in resolving the competition among space programs, missiles and manned aircraft.

Little change is expected in estimated expenditures for the military. While some reduction in personnel may be expected, recent emphasis on limited war may keep the Army from being affected.

Cheery note: Total recommended expenditures for fiscal 1961 will probably be $2 billion to $3 billion under expected high revenues. Unless Congress yields to election-year pressures for nonessential spending, a surplus should be available.

LABOR

When Congress returns this month 16 congressmen will offer a bill to weaken the Landrum-Griffin labor reform act by reopening some of the old secondary boycott loopholes.

Their purpose is to permit the building trades unions to use the boycott against neutrals to compel more tradesmen to join labor organizations. The bill introduced by Senator John Kennedy (D., Mass.) would permit boycotts at sites of construction and repair work.

Builders point out that the present law already gives the unions such items as pre-hire contracts, seven-day union shops, and hot cargo boycott contracts, as well as legal methods for union organizing and settling disputes with employers. They also say that enactment of the bill would inflate construction costs and bring more featherbedding.

NATURAL RESOURCES

The question of end-use of competing energy fuels has resulted in a proposal for federal control over sales of natural gas by pipeline companies to large industrial users. The Federal Power Commission now regulates only direct sales to gas distributing utilities.

The problem stems from wide seasonal variations in the demand for natural gas for heating. Pipelines have developed off-peak sales to industries and electric utilities at greatly reduced prices. These industries alternate between gas and other fuels, depending on availability and price.

The gas pipelines point out that sales to industry on an interruptible basis are necessary to maintain uniform operations over periods of fluctuating demand. Without such off-peak sales, they claim, prices to distributors would be much higher.

The coal industry seeks to halt the "dump" sales of gas at "unjust and unreasonable" prices not based on actual fuel cost. They oppose "inferior and wasteful" use of a valuable natural resource for purposes that are better served by coal.

Heating demands for gas will continue to vary seasonally, but pipeline loads are being smoothed out through interruptible sales and by use of temporary underground storage for off-peak flows.

TAXATION

Many firms are planning to inclnde with future dividend payments a statement that these sums are taxable income and should be included in income tax returns.

This is in response to a plea from Dana Latham, Commissioner of Internal Revenue.

Estimates are that, because of inadvertence or attempts to evade tax liability, many persons have failed to report such income payments. The volume of this nonreported income is variously estimated from $3 billion to $6 billion.

These nonpayments have led to pressures for tax withholding on dividend and interest payments. Such a course, if followed, would increase costs, complications and confusion.

TRANSPORTATION

The outlook for transporation in 1960 is excellent.

Freight transportation in 1959 totaled 1,280 billion ton-miles, according to preliminary estimates, an increase of about 4.1 per cent over 1958.

The railroads accounted for 575 billion of the total, up about 4.2 per cent over the previous year; the trucking industry, held back by an 11-state strike in 1958, rebounded with 290 billion, up 11.5 per cent; the pipelines hauled 226 billion, up four per cent, and air freight, with 613 million ton-miles, was up 17.4 per cent. Domestic waterways and Great Lakes carriers reported about 188 billion, down from 1958.

Travel of persons totaled an estimated 745 billion passenger-miles, an increase of 2.2 per cent. Automobile travel—670 billion—accounted for most of this.

Airlines had an estimated 29 billion, up nearly 15 per cent; intercity buses remained at 24 billion, while the railroads' 22 billion was a drop of five per cent.

Probable increases in ton-miles in 1960 include about four per cent for the pipelines, eight to 10 per cent for railroads; 15 per cent for air freight.

AS A DEMOCRAT

continued from page 31

administrations of Presidents Roosevelt and Truman. Some of these changes today are being singled out by conservative forces in an effort to win business support.

Take taxes as one example. American business does bear a heavier tax burden today than it did during the first Administration of President Roosevelt in 1933. It is true that there are more federal regulations concerning business. But does any American businessman today want to return to the economic wilderness of the 1920's—the days of untrammeled *laissez faire* and wild speculation which led to the economic crash of 1929?

While spokesmen for the status quo continue to complain about high taxes and federal regulations, do they publicly acknowledge the many measures which have pulled business out of that great depression, which saved business and the free enterprise system? Do they mention the built-in stabilizers enacted by the Democrats which have prevented a repetition of the economic chaos of the early 1930's?

Certainly business itself is to be credited for its continued expansion through expenditures for improvement, modernization and new facilities. But the New Deal supports, built into our economy by President Roosevelt, and the implementing Fair Deal measures of Harry S. Truman, cannot be ignored in the national economic picture.

Today bank deposits are insured against loss under the Federal Deposit Insurance Corporation. The jobless now receive unemployment insurance. Our older citizens receive government insurance payments. Wage scales are supported by union contracts. The Securities and Exchange Commission keeps a checkrein on the stock market, whose unrestrained spiral of the 1920's led to the final plunge that marked the greatest depression in American history.

These measures help to create the buying power which supports consumer and service industries and the savings which enable business to invest, expand and make profits in our still-free enterprise system.

I challenge any businessman not too young to remember the "good old days" before high taxes and some government regulation to claim that these Democratic measures have hurt the free enterprise system or have throttled private initiative. Quite the contrary, as almost any set of statistics in the normal range of business indicators reveals.

More to the point, let us examine what the Eisenhower Administration has done to the national economy during the past seven years.

This Republican Administration inherited a healthy, expanding economy in 1953, but, it argued, we must institute a tight money policy to prevent inflation. So, in 1953, it launched its tight money policy and inflation has gone right on ever since. The Consumer Price Index hit a record high of 125.5, in October, 1959, a 10.6 per cent increase over the last Truman year in 1952. Meanwhile, we have had two serious economic recessions which have hurt both business and the consumers. Republicans argue that business can always rely on a Republican Administration to adopt policies which are helpful to business.

Yet, Republican policies fostered the two recessions and discouraged production so drastically that the growth of the national economy has fallen off.

Under the Eisenhower-Nixon Administration our average annual growth rate from 1953 through 1958 was only 1.3 per cent. Even with full allowance for the estimated recovery in 1959 as a whole, the overall '53-59 Eisenhower-Nixon average rate of growth will be only about 2.4 per cent a year.

This is just about half the rate of growth under the Truman Administration, half the rate we need to maintain national progress, full employment and stable prices. Similarly, domestic investment, the value of new construction, the number of housing starts and many other indicators of national economic growth under this Republican Administration expanded at about only half the Truman rate.

It is this serious problem of a contracting economy under the Republicans, rather than an expanding economy under the Democrats, which is one of the most important economic issues in this coming election campaign.

As chairman of our party, I have repeatedly welcomed businessmen, just as I welcome all citizens, into the Democratic Party. To me, the primary responsibility of businessmen in our political life is to recognize the economic, social and political forces which affect our nation.

Working in and through the Democratic Party, businessmen can further our party's objectives to achieve an expanding economy, a higher standard of living for all our people, decent educational facilities for our leaders of tomorrow, and the primary goal of all Americans—a just and lasting peace. Businessmen can be of most aid to the Democratic Party in 1960 by participating in our party organization, by their financial support of our party, and by encouraging political activity among their employes without dictating political choice.

The current national drive to get businessmen into politics is a healthy one, provided that the goal and purpose of getting businessmen into politics is clearly defined.

I have read the plans and programs of some companies whose stated purpose is to influence support only for the issues of interest and benefit to business.

I have heard other sponsors of political programs for businessmen drive home their point that it is "to match labor's efforts."

And, of course, there are those who resort to those old scare words, the "welfare state" and "socialism," as a threat to top management unless they jump into politics with both feet. You can guess which side they are on.

As a model of a successful political program, I cite the 1958 campaign of the Aerojet-General Corporation in California. The corporation conducted a give-a-buck campaign, the nationwide political contribution program sponsored by the American Heritage Foundation and the Advertising Council. The program had the support of both political parties. The corporation also offered all employes a chance to hear candidates of both parties at meetings and encouraged voter registration of all its employes.

Businessmen in politics must be concerned with the current 3.7 million unemployed, which is 5.6 per cent of our labor force, with prices now at their historic highest, with the shrinking record of growth in national production, with the seriously depressed agricultural economy, with the shortage of schools, hospitals, roads, and the seriously lagging defense effort.

These are some of the issues of 1960. They are economic problems which we all must face and make every effort to solve. They cannot be solved by an Administration which is so passionately devoted to a balanced budget that it has unbalanced the nation's economy to the point where we are not creating the markets, the jobs, the teachers and scientists and the defense effort, all

AS A DEMOCRAT
continued

of which are essential to our survival.

The Democratic Party is and must remain the party of the people. We must stand firmly for the full protection and enjoyment of the human rights and liberties of all of our citizens regardless of race, creed, or national origin. Our party believes and works for economic growth to meet the needs of our increasing population and to provide a higher standard of living for all of our citizens.

We believe in progress.

We will continue to work for peace by standing firmly for cooperation with other free nations and supporting an adequate defense program for our own security. END

AS A REPUBLICAN *continued from page 30*

of the business community should not only in their own self-interest but in the interest of their country participate more fully in party work at all levels. They should not hesitate to undertake such often unglamorous but highly important political chores as doorbell-ringing, poll-watching and even soapbox orating. They should not shirk the duty of contributing to the party of their choice.

Above all, they should be both articulate and aggressive in making known their views on policies and programs which affect them directly as well as on the broader problems which concern all citizens.

It is obviously impossible for most men and women within the business community to devote all or even most of their time to political activity. Nevertheless, many elective and appointive offices at the local levels do not make excessive demands upon the individual's time, yet provide an opportunity for him to be of great service to his community and his country. It is possible for a man or woman to serve on a school board or a city council or a county board of supervisors or in the state legislature and still operate a business or work at a regular job. Thousands of Americans are doing it.

To employers, I make this special plea: Encourage your employes to participate in local political activities. If you permit an employe to give a few days of his time to charitable fund drives, it seems to me that you should also encourage people in your company to serve their community in other ways and especially to seek election to part-time public positions.

It is a myth that the businessman who engages in politics is likely to harm his own business interests. This could happen only if a man sought to obtain special privileges for himself because of his political activities. I know thousands of businessmen in this country, Republicans and Democrats alike, who will testify that a man can be active in both business and politics without compromising his principles or jeopardizing his livelihood.

Up to this point, my emphasis has been upon the civic responsibility of everyone to participate in politics. Naturally, I believe such participation should be expressed through the Republican Party—and for a number of important reasons.

I believe the Republican Party is best equipped to meet the major needs of the nation in both foreign and domestic fields. This Republican Administration has demonstrated its ability to maintain peace with honor. It has kept America strong, on both the military and economic fronts.

It has fought resolutely for fiscal responsibility and against unnecessary spending and the forces of inflation. It has steadfastly sought to serve the common interest, rather than special interest. It has provided for seven consecutive years the kind of government I believe the people of the United States will vote to continue in 1960.

In the past eight months, it has been my privilege to visit some 40 states. Most of the meetings I attended were of a political nature but I have also talked with groups representing business, education and labor.

Everywhere and among all groups I found an intense interest in public affairs, in foreign and domestic problems. Understandably, the overriding interest is in winning and maintaining a just and lasting peace. Without this the other issues are academic.

In the area of domestic policy, however, I am deeply impressed by the fact that the American people, in all walks of life, are concerned as never before with government spending, taxes and inflation. In my travels, I heard the same things that I had been reading in letters from my own constituents. The people of the United States clearly want a sound dollar, a firm hold on government spending and a balanced budget.

In recent months, virtually every statistical measure of the nation's economic health has been at an all-time record high.

Despite this unprecedented prosperity, federal, state and local governments are engaged in a desperate day-to-day struggle to balance income with expenditures. It therefore seems appropriate to raise this question: If the federal budget cannot be balanced in boom times, how can the Treasury ever expect to operate on a pay-as-you-go basis?

Millions of Americans, Republicans and discerning Democrats alike, are asking the same question and their voices are being heard. They are insisting upon an answer from candidates who seek office in 1960. Big spending is and will remain a major issue.

The federal budget itself is an enormously complicated device. Its size is determined not only by current decisions of the executive branch and the Congress but also by the actions of previous administrations and congresses.

In fiscal 1960, for example, approximately one third of the total expenditures will result from authorizations enacted one, two or even many years earlier. There are outlays in fiscal 1960 for certain farm price support operations which were authorized more than 20 years ago. There are interest payments on a public debt which first began to pile up in World War I. There are expenditures for public assistance, public works and veterans' benefits authorized in previous years with the bills falling due now.

Responsible leaders must take a harder look at many of the tempting projects which are put forward with the easy explanation that only a few million dollars will be required during the first year. My own legislative experience convinces me that it is a thousand times easier to generate a new spending project than to terminate an established one.

Even if we achieve a balanced budget this year, the nation faces further fiscal hurdles in 1961 and 1962. This comes about because of the time bombs built into future budgets by past spending commitments.

With this nation in its greatest period of prosperity and development, there will never be a better

AS A REPUBLICAN

continued

time to face up to our national responsibilities in connection with the public debt, government spending and the entire field of fiscal policy.

The American people should clearly understand that they have the power to shape the fiscal policies of government by firmly expressing their wishes in national, state and local elections.

Republicans now are on the offensive more strongly than at any time since 1952—nationally and in the individual states. We have party unity. On the other hand, it seems to me that the Democrats are more sharply divided than ever on many major issues.

In the first session of the Eighty-sixth Congress, the heavily Democratic majority rode off in several directions at the same time. Many of their horsemen retreated in disorder from some of the proposals they themselves had sponsored.

The Democratic majority failed to deliver on many of its promises. It will have some explaining to do in the forthcoming campaign.

The Republican Party will make an affirmative and positive appeal to voters in the 1960 elections. Some people tell me that we can't run again on "peace, progress, and prosperity." If we have them we can. And we shall have them.

There has been a tremendous upswing in employment and general business activity which seems certain to carry through 1960. We are moving into new high ground, with total annual output of goods and services expected to exceed the half-trillion dollar level.

It now seems that, when the books are closed for the eight years of the Eisenhower Administration, they will show that more people have been at work, earning more, producing more and investing more than during any comparable period in the nation's history.

The most important dividend of all is the fact that peace has been maintained.

This is the Republican record. It deserves—and I confidently expect it will receive—the endorsement of the American people in the 1960 elections.

All of you who read this can help to insure such a victory by becoming active Republican workers. You are needed and you are wanted. END

SIX CHANGES *continued from page 33*

ages, to find means of singling out those older workers who can productively continue on the job, and to prepare those who should retire for the event.

The first comprehensive study of leisure is now being made by August Heckshер for the Twentieth Century Fund. His early findings suggest that high-income, older executives are beginning to prefer having more time of their own over the privilege of relaying additional income to Uncle Sam. This may mean that, in the 1960's, company-financed vacations on the Riviera, the Black Sea, or new resorts in Africa and Asia may vie with stock options and bonuses as a form of compensation for the executive more than 55.

The labor force

During the 1960's the labor force, from which executives will be recruiting their staffs, will be younger, better-educated, more skilled, and more unionized.

A younger work force: Executives will see in the 1960's a great increase in the number of 20-year-olds applying for jobs as a result of the post-World War II baby boom.

Simultaneously, the relatively low birth rates of the 1920's and 1930's will mean a correspondingly small number of 30- to 50-year-olds from which to draw the supervisors, middle management and skilled and professional workers who will be required to make younger workers fully effective. There will be, however, a relatively larger number of men and women over 50 in the labor force.

All this means that the executive must consider how he will digest the increasing numbers of younger workers. He will face new problems of training and supervision within and perhaps of unemployment without.

Better-educated: Those who seek jobs will be better educated. Between now and 1970 the proportion of adult population that has graduated from high schol will rise from 40 per cent (in 1957) to 50 per cent in 1970. The proportion going on to college will increase from 51 per cent in 1958 to 60 per cent in 1970. Simultaneously, college enrollment will swell from 3.4 million in 1959-60 to 5.8 million by 1970. As Harold W. Stokes asserts in his recent book, "The American College President," "college education is now compulsory."

To the business executive, this will mean a more productive work force. But it will be fully productive only if he can attune his supervisors to new ways of supervising many workers better educated than themselves.

More skill required: The number and proportion of professional and skilled jobs in the labor force will increase sharply during the 1960's. The number and proportion of laborers needed in industry or on the farm will continue to decline. Those who work with their hands and their backs will constitute only about five per cent of the labor force in 1970.

The rate of new scientific discovery has been doubling every 15 years and the pace is quickening. Hence, the advance in technology in many fields and the onrush of automation tend to upgrade the kinds of jobs to be filled. They will create a demand in the 1960's for more scientific and many more technical and semitechnical workers.

These developments will force the business executive to keep up. He will have to be ever ready to make the investments that will fight off obsolescence which comes even before today's modern equipment is well broken in. He must hire or, more often, train a steadily broadening variety and greater number of specialists.

More organized workers: The decade will likely see further gains in union power. The growth of the relative number of professional, of better-educated, of white-collar, and of service workers and the decline in the relative number of operatives and laborers could slow unionization. But the odds are good that the incidence of automation and the success of established unions in getting higher wages and benefits for their members will enable the unions to make greater headway in organizing.

The urban center

For the marketing man, for the executive locating new plants, the executive worrying about taxes, and the city official an equally significant change in the 1960's will be the continuing movement of population to the metropolitan areas and within these areas out to suburbia.

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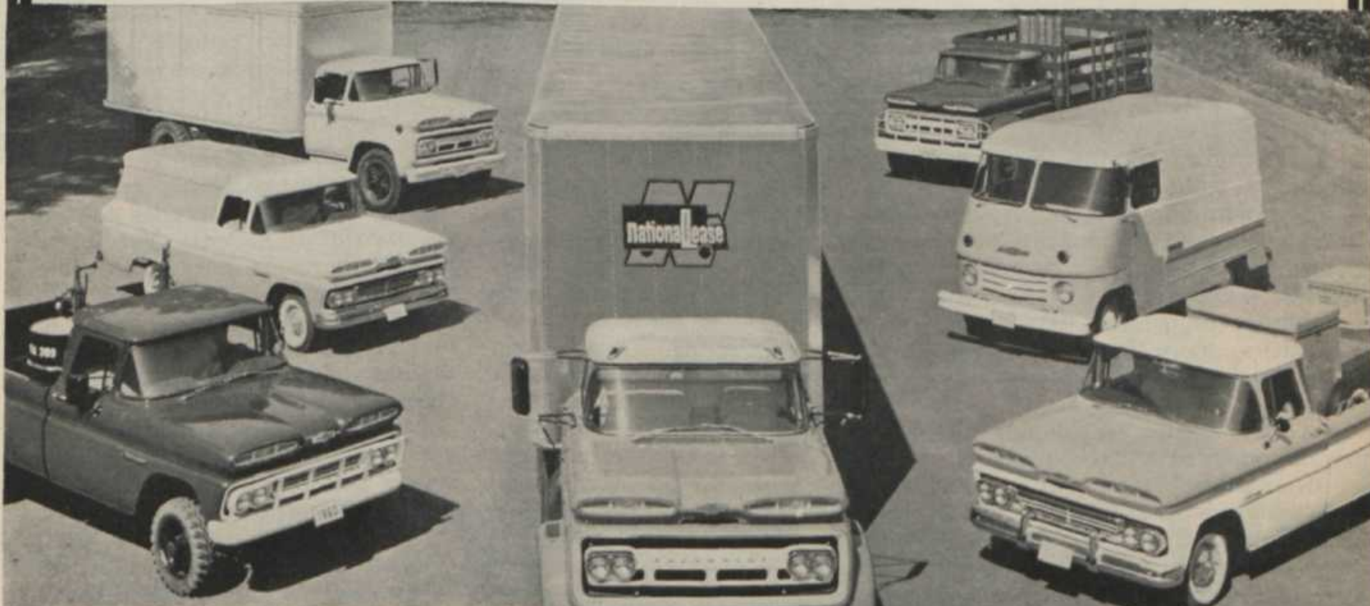

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SIX CHANGES

continued

of the buying income; more than half of all new homes.

This increasing concentration of population creates many economic and political pressures. The business executive must consider it in deploying his sales force and locating his stores and plants. It may make the union's task of organization simpler. Assuredly it will raise local tax bills and pose new problems of mass transportation that businessmen as well as public officials will be concerned with.

Government

The traditional attitude of business toward government has been, in simple terms: Leave us alone. However, government will have more, rather than less, influence on business through taxes, services, investigation, and regulation during the 1960's.

Ponder these facts:

1. Government now buys nearly one fifth of all the goods and services produced in this country. If the Cold War continues and school, highway, and housing programs grow, as may be expected, the federal, state and municipal governments together will tend to take a larger proportion in the 1960's.

Government is now a big and important customer. It will continue to be not only a good customer, but the major customer of a broad range of industries including aircraft, electronics, missiles, and shipbuilding. It will also be the bulwark of the construction industry.

2. Government distributes as payments to individuals (veterans' benefits, social security payments, agricultural adjustment payments, and others) more than 20 per cent of the total personal income of all citizens.

3. Governmental regulation of private business will be proposed for even more business firms and more activities of all business firms.

Incidents such as the cranberry scare and the television quiz show investigation create pressures for a further broadening of governmental surveillance of private business operations.

The international scene

The international scene in the 1960's will provide for a large number of businessmen an invitation to schizophrenia. On the one hand, they will be beset by increasing competition from foreign producers abroad, for example, the producers of automobiles, transistor radios and plywood. On the other hand, businessmen will be urged to expand their trade and investment abroad, especially in the underdeveloped areas that are geographically, politically, economically, and militarily vulnerable to the blandishments of the Soviet Union.

Only so long as American firms surpass foreign producers can this country pay higher wages than are paid abroad and sell its products in competition.

From 1950 to 1955, Italy's manufacturing output per man-hour gained 44 per cent and Germany's 35 per cent, while productivity in the United States increased only 12 per cent. The economies of such industrial nations as Britain, France, Germany, Japan, and Italy have recovered rapidly in the post-World War II rehabilitation period. If their productivity continues to rise, American business will face growing competition, particularly in those industries in which labor costs are large. Business executives may also expect to see the emergence of two powerful international competitors during the 1960's. The European Common Market established in 1958 may become truly effective in the 1960's. If it succeeds in its objective of maximizing trade among the member countries, it will provide additional competition for business firms in the United States.

Russia must be expected to have surpluses to export during the late 1960's. This will constitute still another kind of competition because the U.S.S.R. will not be content to trade for a profit; it must be expected to utilize its surpluses as political and economic weapons, pricing them and dumping them to its advantage. A shrinking world and the continuing struggle, disarmament or no disarmament, for the uncommitted, underdeveloped countries of the Middle East, Asia, and Africa will prompt government to urge American business executives to trade and invest overseas.

The political struggle for the raw materials, the markets, and the allegiance of these nations, has given rise to three reports advising the President to support tax concessions, loans, and guarantees for business firms that will trade and invest abroad.

These, then, are six social and political forces with which business executives can expect to cope in the new decade. Others of equal importance may emerge but this much seems clear: Businessmen should consider now how they will adapt their plans and operations to deal with each of these. This adaptation will require, at the least:

1. *Rigorous reappraisal of existing practices:* The executive who would look beyond this year's balance sheet and profit and loss statement may have his personnel director consider now what changes in hiring, training, and supervision may be required to deal with a younger, better-educated, more skilled staff. He may well ask the marketing director what changes in distribution plans may be required.

But it will not be personnel and marketing practices alone that must be reappraised. For some firms, capital expenditure plans for proposed plant locations, and for still others, manufacturing processes will need reconsideration.

2. *Envisaging the impact:* The important thing is that each businessman envisage the meaning of each of these social and political forces for his operations.

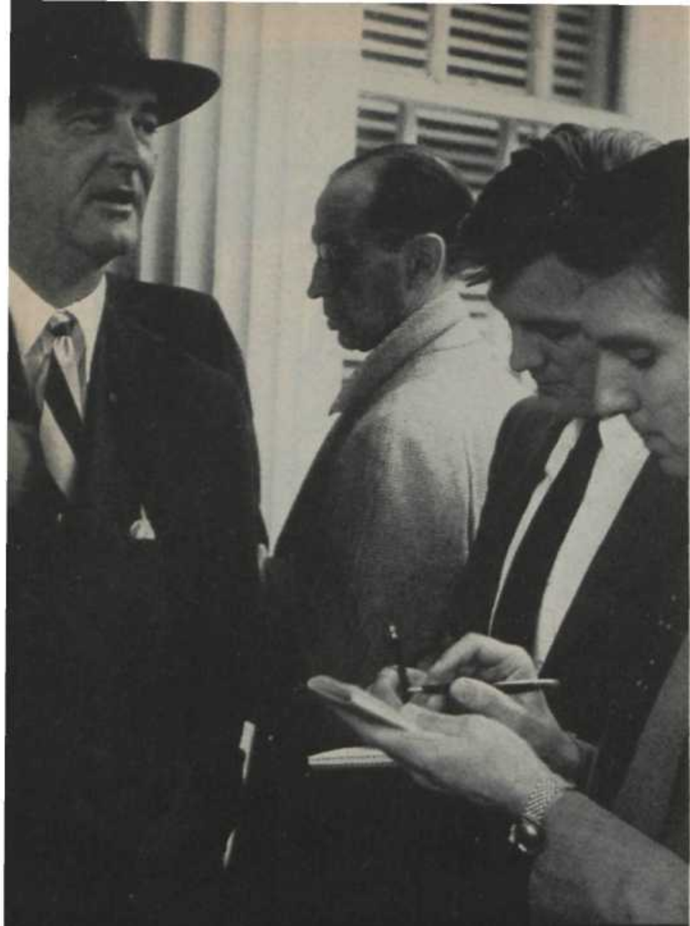
The impact of each of these forces will vary between the manufacturing firm and the department store, between the company with high payroll costs and one that is highly mechanized, between the firm that markets its products locally and the one that distributes in international markets. But the businessman who would make realistic plans must understand each prospective force and consider its impact on his employes, his suppliers, his customers, and his competitors.

3. *The ability to change:* Changing marketing or hiring practices, organization, and attitudes toward government is difficult. Yet if the pace of change is quickened during the 1960's as much as appears likely, businessmen must be ready to discount the experiences of another decade and be prompt to introduce change.

Margaret Mead, Columbia University anthropologist, has summed up for businessmen, as for others, the meaning of these changes.

"No one will live all his life", she has said, "in the world in which he was born; no one will die in the world in which he worked during his maturity."—JOHN J. CORSON & GUY W. CHAMBERLIN, JR.

REPRINTS *of "Six Changes the 1960's Will Bring" may be obtained for 15 cents a copy or $10.15 per 100 postpaid from Nation's Business, 1615 H Street, N. W., Washington 6, D. C. Please enclose remittance.*



Sen. Lyndon Johnson, *Majority Leader*

Sen. Everett M. Dirksen, *Minority Leader*

PHOTOS BY ROBERT PHILLIPS

THEY'LL FIGHT FOR YOUR CONGRESSMAN'S VOTE

These congressional leaders will plan 1960 strategy on legislation important to business

A BATTLE between two of the ablest doubles teams in politics will decide the outcome of the 1960 session of Congress.

Watching the battle will be fine spectator sport, but it will mean much more than that to the taxpayer. The role of government in the life of the individual, the health of the federal Treasury, and the condition of the national economy will be involved.

On one side in this contest will be two veteran Democratic leaders, both from Texas—Senate Majority Leader Lyndon Johnson, a potential presidential candidate, and House Speaker Sam Rayburn, his aging but still powerful mentor.

On the other side will be the men who, during the past session of Congress, brought tone and vigor to the Republican cause in Congress and successes to Eisenhower Administration programs—Senate Minority Leader Everett McKinley Dirksen of Illinois and House Minority Leader Charles A. Halleck of Indiana.

The weight of numbers will be with the Democrats. But the White House and a President willing to use his veto where needed are with the Republicans. Few on Capitol Hill would deny that Mr. Halleck and Senator Dirksen performed wonders last year. Outnumbered, they succeeded in holding their troops in line. By reviving and adroitly using the dormant Republican-southern Democrat coalition, they were able to supply the votes to sustain President Eisenhower in some of his toughest legislative battles. On more than one occasion the Johnson-Rayburn combine

was outvoted. This year, however, things will be different. The Democratic team will be tougher to handle, more determined to fight for expensive new programs and "liberal" legislation.

Senator Johnson has a determined eye on the Democratic presidential nomination and Mr. Rayburn is openly eager to help his fellow Texan grab that prize. Senator Johnson's South and border-state support is secure now but he must get support from the North and West, and many of his Democratic colleagues from those states see him as a conservative who didn't fight the good fight hard enough last year. They will be increasing their pressure on the two leaders for a record on which they can campaign.

The House New Dealers already have organized a formal group to keep pressure on the Speaker for more liberal legislation. Some 125 to 150 northern and western Democrats have chosen Representative Metcalf of Montana as provisional chairman and have set up a 33-man policy board, including such veterans as Representatives Holifield of California and Blatnik of Minnesota with such promising newcomers as Representative (and former governor) Bowles of Connecticut and Representative Johnson of Colorado.

"We're going to get bills moving through committee and out of the Rules Committee and to the floor and through the House," says one member of the board. "Last year our group was informal; the leaders had no real authority and we were afraid to go ahead on many issues. Now we are organized and can act more surely."

Another policy board member says the idea will be to keep in touch with Speaker Rayburn on bills the group wants passed, to try to work out a way to clip the power of the House Rules Committee, the graveyard of many liberal bills in the past, and to make sure that the group turns out in maximum strength when measures in which it is interested come up for action.

In the Senate, some Democrats are trying to get a similar group to work for liberal legislation.

Where can these groups be expected to push for action? Talks with them indicate these goals, although not necessarily in this order:

▶ Large federal expenditures to help states construct schools and otherwise finance educational activities.

▶ Extension of coverage of the federal minimum wage law to millions of additional workers, possibly with

House Speaker Sam Rayburn

NICK DE MORGOLI—PIX

UPI PHOTO

House Minority Leader Charles A. Halleck

CONGRESSMAN
continued

an increase in the present $1-an-hour floor.

▶ An increase in federal grants for municipal water-treatment plants.

▶ Large federal outlays to assist depressed areas.

▶ New and enlarged federal aid to housing construction and slum clearance.

▶ Medical and surgical benefits for older people under social security and liberalized disability benefits so younger workers could get payments.

▶ New and bigger outlays for public works.

▶ Repeal of the 1954 tax law provisions giving tax relief to persons receiving dividend income.

▶ Federal standards as to the length and amount of unemployment compensation benefits.

Obviously the liberals will not get all they seek but it will take a major effort to block them. The Republican leaders have political motives, too. Not only would they like to sustain the President and provide what they feel will be a good record for G. O. P. candidates to take before the voters next fall, but each is believed to be fascinated by the picture of himself as the Republican vice presidential nominee.

The fact that federal money for home-town projects has a strong appeal to Republicans as well as Democrats from close districts in an election year may make it harder for them to keep their own party members in line.

The Republicans' situation is further complicated by the fact that an attempt for civil rights legislation, likely to take place early in the session, could cause serious ruptures in the Republican-southern Democrat coalition.

Most Republican senators would vote for a strong civil rights bill, and it might take a while for the southerners to forgive them.

The Democrats are already in a fighting mood.

"The Administration ran rings around us," one northern Democratic House member grumbled at the end of the first session.

The Democrats had won it handily and had a majority of 65 to 35 in the Senate, 283 to 153 in the House. With such a margin, in the 1959 session Senator Johnson and Speaker Rayburn, acknowledged experts at political gamesmanship, were expected to have things their own way; but three factors disappointed that expectation.

First, the two Texans were inclined toward a more moderate course than some of their Democratic colleagues. This frequently made their opposition to President Eisenhower's proposals less enthusiastic than it might have been.

Second, the President waded into the legislative fight, carrying his battle for a balanced budget, a strong labor reform bill, and other key items in his program, directly to the people through radio and television appearances. The response he aroused thoroughly frightened many Democrats.

Third, and probably most important in terms of concrete legislative results, the President received from Senator Dirksen and Representative Halleck the most devoted leadership he has had on Capitol Hill.

Both Senator Dirksen and Representative Halleck used the same strategy in coping with their heavy opposition: They held their own Republican lawmakers in line, then

ANSWERS TO LEADERSHIP TEST

To make the highest possible score on the test of ego-strength, Dr. Schiller says a person should have answered the sample items this way:

1. True	**6.** True	**11.** True
2. True	**7.** True	**12.** True
3. False	**8.** False	**13.** False
4. False	**9.** False	**14.** True
5. False	**10.** False	**15.** True

Here are the traits on which test items are based:

1—Statement 1 is based on the ability of the person with ego-strength to think, speak and write clearly, coherently and logically.

2, 6—Concentration, directionality: the ability to apply one's mind to an assigned or selected topic.

3—Ability to schedule and organize one's activities.

4, 7, 10—Initiative and self-sufficiency: the ability to decide for oneself and act without waiting to be stimulated, urged or encouraged.

5, 9—Adherence to resolutions and agreements: the disposition and ability to abide by long-term decisions and commitments.

8—Ability to choose among the demands, claims, enticements and suggestions that are made by others.

11—External objectivity: the ability to perceive human actions and events without distortion.

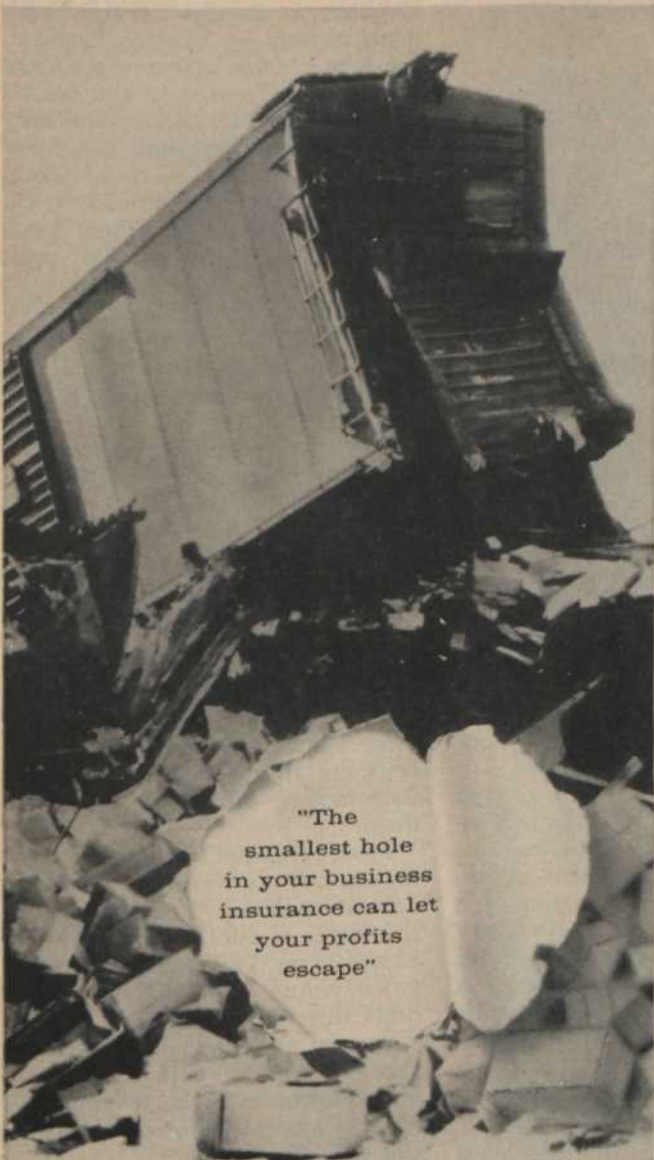
12, 13—Internal objectivity: insight into one's own motives, evaluations, and emotional reactions.

14—Resolution of conflicts: the ability to choose between alternative courses of action.

15—Responsibility for collective action: the willingness and ability to take responsibility and effectively organize and direct the behavior of others.

If you scored 13 or better, chances are you have high leadership potential. Nine through 12 is classed as middle leadership potential. Below nine, there may be leadership potential but it is not fully developed.

Dr. Schiller cautions that since these are simply samples of a much more expanded test, a person shouldn't take his score as an absolute, but rather as a useful guide for self-understanding.



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CONGRESSMAN

continued

picked up enough conservative southern Democrats to round out the number of votes needed to support the President. If the votes couldn't be mustered to defeat the Democrats in the initial fight on legislation, at least they could be supplied in the numbers needed to sustain a veto.

Mr. Halleck was particularly effective in this type of maneuver, cashing in on long-standing ties to House Rules Committee Chairman Howard Smith of Virginia and other southern Democratic leaders.

This strategy upheld two vetoes of high-spending housing bills, forcing the Democrats finally to pass a less costly bill the President could sign. It also produced the Senate coalition that inserted a bill of rights provision in the Senate-approved labor reform bill. It put through the Landrum-Griffin labor bill in the House.

The Democrats were forced to cut back their airport aid bill. A so-called depressed areas bill was bottled up in the House Rules Committee. The President's veto of a bill to curtail Agriculture Secretary Ezra Taft Benson's power over rural electrification loans was upheld. A veto of one big-spending public works appropriation bill was sustained in the House, although a second, somewhat scaled down, was passed over the President's veto.

A closer look at some of the votes shows the strategy used. On the REA bill veto, Mr. Halleck lost only six Republican votes and picked up four Democrats. On the Landrum-Griffin bill, only 17 Republicans voted against while 95 Democrats, mostly from southern states, supported it. In the Senate vote on the labor bill of rights, all but two Republicans were for it and 16 Democrats voted for it.

To sustain the first housing bill veto, Mr. Dirksen held all but two Republicans in line for the President, picking up Senator Frank J. Lausche of Ohio and nine southern Democrats. To sustain the second housing veto, Mr. Dirksen lost only one southern Democrat; the other eight and Senator Lausche again voted to support the President. On the veto of the bill providing funds for public works, including 67 projects not in the President's budget, Mr. Halleck held all but 11 Republicans on the President's side, picked up six Democrats and succeeded in sustaining the veto by two votes.

The two Republican leaders also kept up between-votes propaganda campaigns that frequently put the Democrats on the defensive. After their weekly legislative conferences with the President, they used the White House press room as a forum for new blasts at the Democrats. They toured widely, speaking at party rallies and other gatherings.

They will undoubtedly continue these tactics, probably perfect new ones, for this session. In addition, four factors will be operating for them:

First, President Eisenhower seems determined to continue his battle against spending. If there are further signs of public support of this stand, many Democrats will think twice before charging off in the other direction.

Second, with the nominating conventions beginning in mid-July, a short session is likely, leaving little time to consider some of the spending bills.

Third, booming business could reduce some of the pressures for new or enlarged federal spending programs.

Fourth—and most important—Senator Dirksen and Representative Halleck, reinforced by last year's experiences and the friendships and alliances they have made, will be doing their best.

This time, though, it will have to be even better than last.

—CHARLES B. SEIB

SPACE RACE

continued from page 16

expected to approach $1.3 billion—some $300 million more than scheduled for this fiscal period. The increases expected next year will go mostly toward civilian projects.

There's considerable sentiment that better management of space programs would help progress perhaps more than greater spending. Vital projects now are frequently hampered by poor management, a number of technicans contend.

Critics note that several agencies and advisers are involved in overseeing space projects. Yet no single official or group is in charge of the over-all effort.

This fragmented arrangement for management, the critics say, has these effects: Decisions on important projects come too slowly; long-term national goals in space are far from clear; and technical work too often is retarded by transfer of projects from one agency to another. Centering control of all nonmilitary space projects in the National Aeronautics and Space Administration is expected to correct this.

The Defense Department is transferring responsibility for space rockets and other projects to NASA. The Army is preparing to transfer its rocket facilities and technicans at Redstone Arsenal. The Air Force has turned over moon rocket projects to the NASA. The Defense Department will retain only those projects, such as reconnaissance satellites, that are believed to have definite military value.

The eventual military value of space projects is not certain. Brig. Gen. Homer A. Boushey, Air Force director of advanced technology, wants to establish a U. S. missile base on the moon. Other uniformed space enthusiasts speak of the need for missile-launching space platforms and other futuristic devices.

But, for the most part, defense strategists caution against expecting great defense capability from space projects in the near future.

Russia's military application of its space program probably "is only a very minor one," estimates George P. Sutton, chief scientist of the Pentagon's Advanced Research Projects Agency.

Says Mr. Sutton: "It is logical that while our effort in military space technology alone is substantial and costs us nearly $500 million a year, it will remain relatively small compared to our efforts in true deterrent capability." END

PROFIT OVERSEAS

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It is not subject to U. S. taxes on income obtained from sources outside the United States whether it manufactures its own products or sells products and services supplied by its parent or others. Profit-retention features make it possible for the subsidiary corporation to expand its base of operations at a progressively faster rate than is possible under domestic tax schedules, assuming that profits are realized.

Because no restrictions are placed on type of activity, the overseas subsidiary is an ideal vehicle for companies that are earning income from intangible assets overseas, such as license agreements or rent or interest from foreign sources. It offers a degree of insulation to the U. S. parent from any adverse business legal actions or liabilities arising within the locale of the subsidiary.

However, dividends paid to the U. S. parent are fully taxable. If the subsidiary corporation sustains losses, the parent company cannot use them as an offset in its own earnings report. And foreign subsidiary corporations must get formal recognition from the Internal Revenue Service. In some cases, the parent may become involved in tax liabilities if appreciated operating assets are transferred from a foreign branch to a foreign subsidiary corporation. Sometimes there are foreign investment laws which restrict the degree of stock control permitted expatriate owners.

The International Tax Haven

This type of arrangement provides for a base holding company for overseas operational groups. Picking the country involves considerations other than taxes. Among them are a firm currency and stable exchange rate; freedom in international currency exchange; a stable economy and well defined commercial code; a reasonably stable political atmosphere; and an historical pattern of favorable treatment of foreign business interests.

The International Branch of the U. S. Corporation

Although this form is the least complicated of all overseas units to establish, it is also least likely to provide tax advantages. Its advantages include:

If overseas losses develop during the formative years, they can be written off annually against profits developed by the U. S. parent. Once operations start to make a profit, the branch can be converted under certain conditions to a tax-saving type of organization.

Also, U. S. government guarantees against inconvertibility, expropriation and war damage are available. If liquidation of the branch is desirable, the legalities of closing are less complicated than with other types.

Foreign taxes paid by an overseas branch may be taken as a credit by the parent up to a certain ceiling.

Also a drawback—the overseas branch and, to that extent, the parent company, are under jurisdiction of the foreign government.

The International Partnership

The use of the unincorporated company or partnership as a device for foreign investment is rare.

Essentially, its ingredients are privacy, simple legal formalities and light formation costs, sometimes beneficial tax treatment. But there are offsetting disadvantages. In general partnerships all firm members are jointly liable for debts and transactions of the firm to the full extent of their resources. In limited, special, or silent partnerships, at least the liability of the silent or limited partners is limited to the extent of their investment.

The World Trade Corporation

Ordinarily, the U. S. parent company uses this separate corporate entity to house its international subsidiaries, branches, affiliations, licensees and/or to control contacts with overseas distributors and sales agents. Adoption of this structure may be inspired by tax considerations, operational factors, policy requirements, and fiscal programs.

The International Trade Corporation

This form is a proposed new tax shelter for U. S. companies with international operations. Under the Boggs Bill (H. R. 5) the Internal Revenue Code would be amended to encourage private investment abroad. This bill recommends a more robust counterpart to the present Western Hemisphere Trade Corporation and would apply a 38 per cent international corporate tax rate instead of the 52 per cent now in force. Corporations would be required to pay U. S. income tax on foreign-source business only when such income was paid out as dividends or returned to the United States.

The U. S. Treasury version of

this bill would defer taxes on income derived by a corporation that gets all or most of its income from investments in the less developed areas of the free world.

The International Licensee

The licensing agreement has built-in flexibility which makes it possible to expand or contract the investment at will and to test markets without taxing resources.

In drawing up the license agreement, some of the musts are:

The span of the contract should be fixed. The contract should be executed in the United States and be written in English.

Trademarks should be registered and patent protection applied for in as many countries as feasible.

Sublicensing should be tightly controlled.

The International Division

Of the 30 companies analyzed in the AMA study, two thirds function overseas through international divisions. In operation, the division functions as a company within a company. International divisions have an extensive range of duties that break down into one or more of three basic categories:

1. Developing and controlling exports or international sales.
2. Developing and controlling overseas manufacturing or extractive facilities.
3. Developing and controlling license agreements with independent foreign manufacturers or producers.

Drafting the master plan for a well knit structure of overseas units is not so much a matter of striving for uniformity, as for maintaining flexible balance. Provision must always be made for business to go on as usual while corporate alterations are in progress. This, at least, is the experience of numerous American companies with a substantial background in scope of activity and time.

The basic problem is to select the form or forms of organizations most suitable to the individual company's operation.

Ideally, a base organization should be initially created incorporating the best tax and operational features available.

—ALEXANDER O. STANLEY

REPRINTS *of "How to Make a Profit Overseas" may be obtained for 10 cents a copy or $7.00 per 100 postpaid from Nation's Business, 1615 H. St., N.W., Washington 6, D. C. Please enclose remittance.*

PARKINSON

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The first question to decide is what proportion of the national income should the government demand? What proportion of the individual's income can the government safely take? And what happens when that proportion is exceeded?

There is a limit beyond which taxation is undesirable, a limit beyond which it is dangerous and a limit (finally) beyond which it is fatal. And these limits are clearly indicated by both economic theory and historical fact.

In the light of these known dangers, it is for the Cabinet to decide upon the ratio between government expenditure and gross national product. That decision taken, it must decide upon the distribution of this total between the departments. To individual departmental heads would fall the responsibility of subdividing departmental allocations between the various branches and units. No department under this system would be asked to submit an estimate. It would be told, instead, to keep within a total.

The obvious advantage of the system described is that a limit is placed on expenditure. An advantage as important is that the expenditure becomes flexible within each department, subdepartment and unit.

Once the officials understand that the development they want in one direction is conditional on their economizing in another direction, the rest can safely be left to them; provided that promotion goes first to the man who shows where the money can be saved.

It is not to be supposed that the reform of the national finances would be unopposed. In this field of administration the reformer will be faced, inevitably, by a closed phalanx of civil servants representing one of the strongest vested interests in the world. Their opposition, though passive, will be formidable. To all proposals for a proper system of accounts they will reply with a pitying smile that it was tried once at the War Office, found wasteful and long ago abandoned. They will then retire behind a smoke screen of technical mysteries.

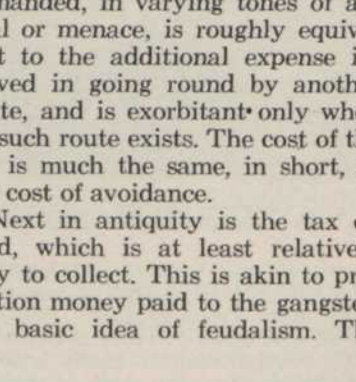
In history, as taxes rose, people migrated

Taxation is as old as time and takes its earliest form in the action of the petty chief who builds himself a stockade at the estuary, the river junction or mountain pass and levies a toll on the passing traveler or merchant. This has always been the easiest tax to collect, being described as a charitable subscription, customs duty or extortion, all according to the point of view.

The early tax collector was a petty chief who blocked a mountain pass and levied a toll on the passing merchant

It is seldom worth the merchant's while to fight his way past the barricade because the amount of this exaction can be charged to the eventual purchaser of the goods, the merchant knowing that rival traders will have to do the same. The sum demanded, in varying tones of appeal or menace, is roughly equivalent to the additional expense involved in going round by another route, and is exorbitant only when no such route exists. The cost of the tax is much the same, in short, as the cost of avoidance.

Next in antiquity is the tax on land, which is at least relatively easy to collect. This is akin to protection money paid to the gangster, the basic idea of feudalism. The cultivator of land is vulnerable to the extent that his whereabouts are known and the extent of his property defined. He cannot disclaim ownership without losing it, so that he will pay for the recognition of his boundaries and the exclusion of other people's cattle. The amount he will pay is roughly equivalent to the cost of moving to another area and becomes exorbitant only when no such place can be found.



Above the 20 per cent tax rate, each increase will produce proportionately less

A variant of the tax on land is the tax on produce, which represents greater difficulties of assessment. Historically, the latest development of this is the tax on income, which becomes technically possible only in an urban civilization.

The collection of this tax is extremely complex but it has so far been supposed to have no limit other than the cost of moving elsewhere. We shall see, however, what its effective limits are.

How modern taxes strangle a nation

Taxes can be grouped into two broad categories, those we impose on ourselves and those we inflict upon other people. Taxes in the first category, examples of which in history are extremely rare, are self-limiting. They may rise in a time of emergency but, once the crisis is past, they should tend to fall.

On the other hand, most taxes clearly come within the category of burdens imposed by some people upon others. The taxes decreed by ancient monarchies were all of this type and so are the graduated taxes of today at all levels above the average, being voted by those to whom the heaviest rates will not apply.

The taxes inflicted by some people upon others will inevitably rise as expenditures rise, and expenditures will rise in accordance with Parkinson's Second Law. Their only limit is at the point where the victim refuses to pay.

As a generalization, we can say that the productive people of the world have discovered from experience that they will always have to yield 10 per cent to somebody, whether to a gangster, a feudal lord, or a department of internal revenue. Up to about 10 per cent the exaction is in accordance, it would seem, with a law of nature.

People will complain just as vocally whether the taxes are heavy or light but they regard such a tax as inevitable and customary.

When taxes passed that point ancient taxpayers could move.

The situation is entirely different

when there is nowhere to go—when taxation elsewhere is just as bad. In these radically altered circumstances, the barrier at 10 per cent is removed and taxes will rise to a new maximum. Within the rigid frontiers of modern nationalism, the taxpayer is indeed captive.

The reaction of the taxpayer who cannot escape the tax by migration is to reduce it by some other form of avoidance. It is clear that a direct tax of from 10 per cent to 20 per cent of the taxpayer's income tends to deflect initiative and ingenuity into a new channel and one quite profitless to the community.

More than that, the brains devoted to tax avoidance must be matched by the brains devoted to tax collection. And despite all the official ingenuity displayed, each tax increase yields a poorer result than the last. The point might be reached, at least in theory, when no further tax increase would improve the revenue. Before that point is reached, however, the situation would have been transformed in another way.

What happens when direct taxation takes as much as 25 per cent of the national income was first noticed by Lord Keynes in about 1923. It was he who pointed out that taxation, beyond a certain point, is the cause of inflation. When there is a high tax on the profits of industry, employers can reduce the tax by distributing the profits among their staff. With this lessened resistance to wage demands, the value of the currency declines.

A policy of devaluation then finds general support, with the result that the state's creditors, the investors in government stock, are cheated in what has become the normal fashion. Writing off a proportion of the national debt, the state becomes solvent again and the real value of the taxes will begin to fall.

The argument, as put forward by economist Colin Clark in 1945, is that taxation exceeding 25 per cent of the national income must defeat its own purpose. This argument attracted considerable notice at the time but was not generally agreed upon among economists. While many experts admitted that some sort of limit must exist, they considered that this could vary according to national character and other circumstances.

One thing apparent from all discussions on this subject is that people will pay heavy taxes when fighting for their existence. When the alternative appears to be national

PARKINSON

continued

destruction, taxes of up to 50 per cent of the national income may well be paid without much complaint. The point of refusal is reached only when the doubt arises as to whether existence is worth while. It is also apparent that the atmosphere of crisis can be retained to some extent after the war is over.

Appeals to patriotism can still be made, with promises of a better world to come. There is no particular reason for supposing that an orgy of mutual destruction should result in a better world, but the promise is often made and often believed. In Britain at least, taxes amounting to 40 per cent of the national income have been paid without protest for a number of years. The temptation among those responsible is to assume that all is well and that comparable taxes can be borne indefinitely.

In fact, however, the results of oppressive taxation are cumulative and slow. Historical examples illustrate a strangling process spread over many years. Today the tempo is quickened but not so much as to be readily perceptible. It is more important, therefore, to note symptoms which mark the progress of the disease. They represent the loss, successively, of influence, freedom and stability.

Britain was the country most heavily taxed in the years before World War I, with France a bad second and Austria-Hungary a good third. These were the countries whose influence declined most sharply in the years which followed the war. The two countries where taxation was lowest were those whose influence increased the most. By 1938 the most heavily taxed countries were, in the following order, Germany, Britain and France.

While other factors must have their importance, a country like the United States, which in 1938 combined wealth with a low rate of taxation, was obviously more formidable than one which was heavily taxed before the war even began.

The contrast between high taxable capacity and low taxes is a sign of latent strength and one not wasted on the world at large. Nor will rival powers fail to notice the high level of taxation maintained today in countries like Britain and France. Neither country, they conclude, will ever fight again except in defending its frontiers. A country so placed, with no visible margin of strength, can have only a dwindling influence in international affairs. That such a toothless country will do anything to extend or even secure its wider interests is believed by nobody. It can do little even to maintain the peace.

The first effect, then, of high peacetime taxation is to reduce a country's influence in world affairs.

The second effect is to be measured in the loss of individual freedom.

Freedom cannot exist where the rulers own everything, nor even when they concede some limited right of tenure. But the modern belief is that spendable income is a concession by the state. The taxation which is intended to promote equality, the taxation which exceeds the real public need, and above all the tax which is so graduated as to prevent the accumulation of private capital is inconsistent with freedom. Against a state which owns everything, the individual has neither the means of defense nor anything to defend.

The third effect of a high rate of peacetime taxation is the loss of stability. There are many human achievements, including some of the finest, which need more than a single lifetime for completion. The individual can compose a symphony or paint a canvas, build up a business or restore order in a city. He cannot build a cathedral or grow an avenue of oak trees. Still less can he gain the stature essential to statesmanship in a highly developed and complex society. There is a need for continuity of effort, spread over several generations, and for just such a continuity as government must lack.

Given the party system more especially, under the democratic form of rule, policy is continually modified or reversed. A family can be biologically stable in a way that a modern legislature is not. It is to families, therefore, that we look for such stability as society may need. But how can the family function if subject to crippling taxes during every lifetime and partial confiscation with every death? How can one generation provide the springboard for the next?

Without such a springboard, all must start alike and none can excel; and where none can excel, nothing excellent will result.

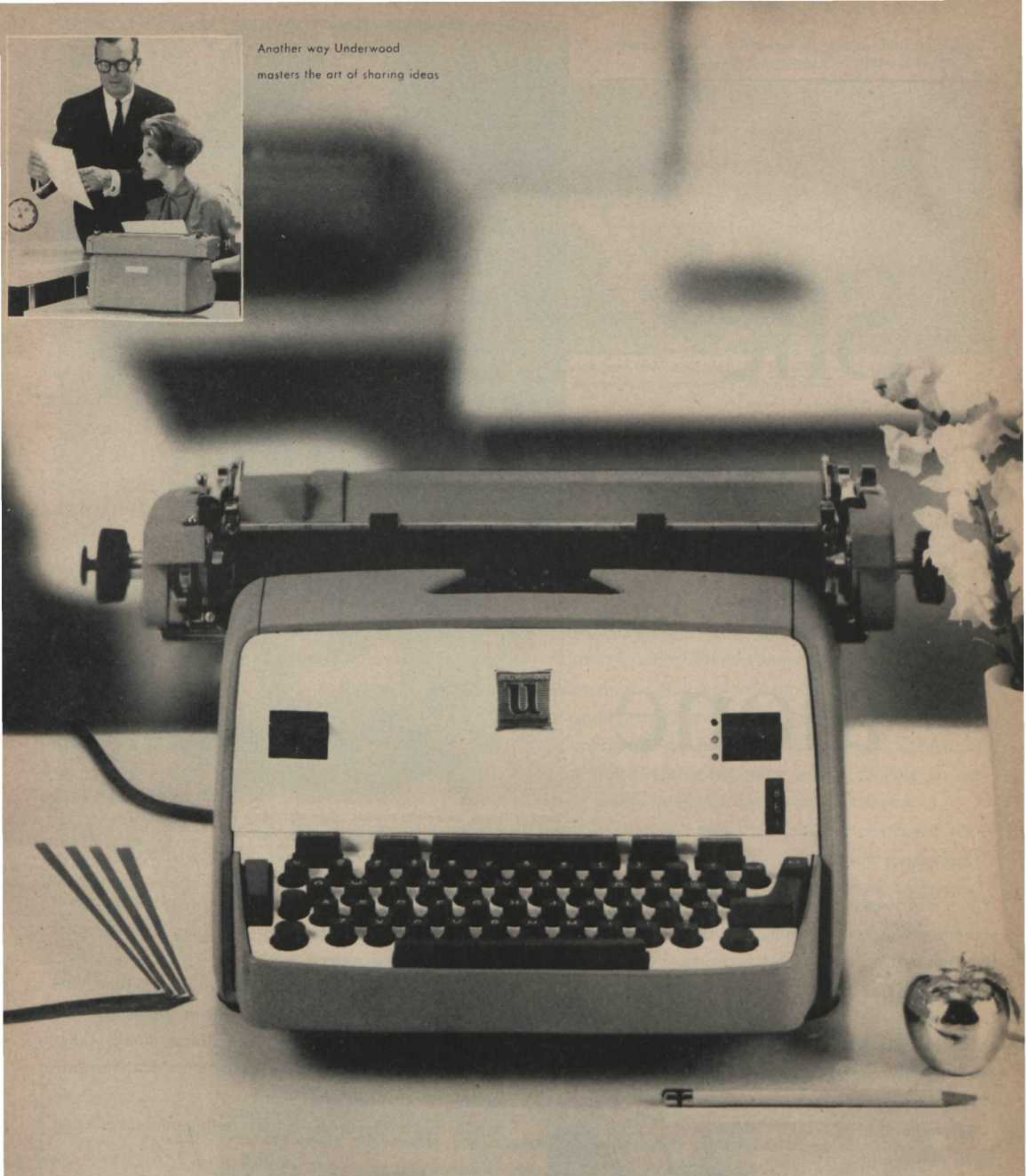
From this analysis it may not seem easy to fix on a certain level of taxation as representing the maximum. So far it would seem that there are successive points at which evil results successively appear. With peacetime taxation amounting to more than 10 per cent of the national income, capital will begin to migrate. If its flight is prevented, whether by circumstances or by legislation, taxes can rise to 20 per cent but against a stiffening opposition which takes the form of tax avoidance and evasion carried to the utmost lengths of determination and skill.

Above 20 per cent each tax increase will produce proportionately less.

Above 25 per cent there is serious inflation, reducing the value of the revenue collected. Above 30 per cent the decline in national influence, observable long before to the expert, becomes obvious to the world at large. At 35 per cent there is a visible decline in freedom and stability. At 36 per cent there is disaster, complete and final, although not always immediate. Taxation beyond that point, feasible and perhaps necessary in time of war, is lethal in time of peace. Of the taxation precipice, 36 per cent (for most countries) represents the brink.

From this necessarily simplified account of what may be expected to happen there emerges as yet no single, clear rule as to what the ideal rate of taxation ought to be. What is clear, however, is that the progressive transference of responsibility from the individual to the state cannot but weaken individuality itself. There is clearly, somewhere, a line to be drawn.

The traditional 10 per cent has the support of experience but there may be special reasons for exceeding it. Where these reasons exist, taxation should stop at the point where it absorbs 20 per cent of the national income provided that it is strictly proportionate and that no income suffers direct taxation beyond the limit of 25 per cent. Countries which have recently exceeded the bounds of safety are (in order of extravagance) the United Kingdom, France, New Zealand, Japan and the United States. [Editor's note: Federal, state, and local taxes equal about 28 per cent of national income in the U. S. today.] Some of these may yet struggle back to a position of financial stability. Time is short, however, and the effort is long overdue. The problem is not initially how to reduce expenditure on social services or defense. The problem is, first of all, how to redirect into useful channels all the effort and ingenuity now being spent, on the one hand in the collection, on the other hand in the avoidance, of tax. **END**



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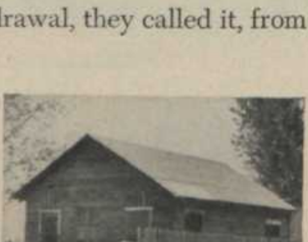
She was not alone

Sudden illness, especially mental, often disrupts a family. With the Vasquezes it brought them closer together.

If you had wanted to get in touch with Eva Vasquez three years ago, you would have had to travel some two hundred miles from her home on the outskirts of Bakersfield, California, to Modesto State Hospital for the mentally ill.

She was hospitalized there because she was tired of living and tried dying. Withdrawal, they called it, from reality.

The communists could have made quite a thing out of her story if they had known it.



Clean, neat, but cramped, the Vasquez home is located in a mixed Mexican-Negro community near Bakersfield, California.

What about "all men are created equal"? they might have asked. What about "unalienable rights"?

Here she was: Eva. Born a Mexican, another victim of pride, prejudice and poverty. Knowing no love in her own home, she escaped into marriage at sixteen.

Now, at twenty-nine, she was the wife of Juan Vasquez, mother of seven children and pregnant again.

Because of recurring bouts of illness, finally diagnosed at Kern General as malnutrition, Juan was only intermittently employed. Came cotton time, the whole family took to the fields—usually earning a total of $7.50 a day.

Worry over her neglected children and Juan led to Eva's breakdown. The feeling that she, alone, was faced with these problems only exaggerated her anxiety.

It turned out she was not alone. And that's where the Russian script ends and the American story begins.

During Mrs. Vasquez's hospitalization the family received relief and the children were provided milk by

a local school nurse. Juan was encouraged to study English in night school in hopes of finding a better job. To practice English he read comic books and watched TV in the two-room cabin he shared with the children.

One day, and then again, he saw a TV message sponsored by The Advertising Council, urging people to send for a booklet entitled "How to Deal With Your Tensions," published by The National Association for Mental Health. Free.

He sent away for it and spent the next two months laboriously translating it with the aid of his comic books and a Spanish-American dictionary.

Among other things, he learned that Eva was not alone in her affliction. One in ten Americans suffers from mental illness. And 80% of those hospitalized, in the words of Dr. William Menninger, "could be out if enough of us cared."

The Advertising Council cared to the point of courageously sponsoring the Mental Health program during 1958 and 1959. Through the combined volunteer services and facilities of American business, advertising agencies, publishers, broadcasting stations, networks, outdoor and transit advertising companies, millions of dollars have been spent bringing that message to millions of people, more than 1,300,000 of whom have written in for the pamphlet.

People like Juan Vasquez, for instance, who cared enough to translate it painstakingly and sensitively, so that his wife would believe and understand and be restored to her family, rehabilitated. That happened on July 7, 1958.

Although Juan translated perfectly, his wife wasn't always sure he was giving her an exact interpretation.

The Mental Health campaign was supported by The Advertising Council because mental illness is "the number one disease of the country." And the Council is committed to making ours a stronger nation. Stronger in human and natural resources.

Through public service campaigns—adding up to 170 million dollars of voluntary support during 1959 alone—our country was bulwarked in many ways.

Through saving lives on the highways. Preventing forest fires. Fighting for better schools. Selling savings bonds, and helping our friends and allies abroad.

Not by standing still, certainly, nor playing it solo.

Rather, by people working together in the common cause of insuring our "health, wealth and happiness."

THE ADVERTISING COUNCIL . . . ***for public service***

If you would like to know more about this work, this magazine suggests you write to The Advertising Council for a free booklet, 25 West 45th Street, New York 36, New York

The Advertising Council, supporting these and many other public service causes with men, materials and money contributed by American business, helps solve more problems and serve more people than any other single private institution:

AID TO HIGHER EDUCATION • BETTER SCHOOLS • CONFIDENCE IN A GROWING AMERICA
CRUSADE FOR FREEDOM • FOREST FIRE PREVENTION • MENTAL HEALTH • NATO • RED CROSS
REGISTER, VOTE AND CONTRIBUTE • RELIGION IN AMERICAN LIFE • RELIGIOUS OVERSEAS AID
STAMP OUT PARALYTIC POLIO • STOP ACCIDENTS • UNITED COMMUNITY CAMPAIGNS
U. S. SAVINGS BONDS • UNITED NATIONS

UNIONS BUILD STRIKE POWER

Labor program may affect your business three ways

STRIKE FUNDS AT A GLANCE

$500 MILLION: What some leaders feel unions should put into one big strike fund

$40 MILLION: What United Automobile Workers are raising for next year

$27 MILLION: What AFL-CIO is asking workers to donate every month to Steelworkers Defense Fund

$5 MILLION: What Ladies' Garment Workers' Union is putting into its strike fund

$5 MILLION: What striking United Steelworkers got from other unions

UNIONS ARE INCREASING the chances that in the decade ahead:

▶ Your business will face a strike.

▶ Once begun, a strike will last longer.

▶ If you don't have a union, you soon may.

That's the outlook as organized labor puts on more strike muscle.

While Congress and the Administration consider ways to reduce the threat of economy-crippling strikes such as we face in basic steel and railroads, unions are increasing the possibility of strikes and their ability to keep strikers out longer. They are building up their strike resources and trying to make it easier for workers to approve and stay on strike.

Unions are toughening their striking power in three ways:

▶ By accumulating huge strike funds which can be used to back up the union's own strike, pay strike benefits to members, and help other unions on strike. Goal: $500 million.

▶ Coordinating bargaining and strike techniques and strategy.

▶ Pushing for helpful legislation and government rulings at both state and federal levels.

PUBLICITY is considered so vital in strikes that the AFL-CIO has issued a guide on how to get maximum publicity. Among other things, it advises using women on picket lines

Strike funds

More and larger strike funds are being raised.

Most significant is the new Steelworkers Defense Fund, started by the AFL-CIO at its convention in September. Potentially, this could be the largest fund since it could have an income of more than $27 million a month.

It is also the first strike fund in modern times set up by a parent federation.

Main purpose of the Steelworkers Defense Fund is to help the 500,000 steel workers who were on strike 116 days last year and may go out again Jan. 26 when an 80-day injunction expires. The Steelworkers Union, which bargains on an industry-wide basis, has no strike fund because strike benefits would be too costly. Its locals have small funds to help needy strikers.

The AFL-CIO's 13.5 million members are being asked to contribute voluntarily the equivalent of one hour's pay a month into the defense fund. With average factory pay more than $2 an hour, this could bring in more than $27 million a month—if all responded. The size of the fund is a secret, but donations will not likely add up to more than $1 million a month, if that. Basis of the appeal to all AFL-CIO members is that the steel workers are the shock troops for the entire labor movement fighting to preserve collective bargaining over job conditions.

What money is left in the fund after the steel dispute is settled will be used to help other unions on strike. This could be the beginning of a permanent AFL-CIO strike fund to supplement the present practice by which striking unions rely on other individual unions for help through direct contributions or loans.

The Steelworkers Union had received more than $5 million in outright gifts before the defense fund was started. The AFL-CIO Industrial Union Department and the United Automobile Workers, both headed by Walter P. Reuther, gave $1 million each.

The International Ladies' Garment Workers' Union, which is building up its own strike fund of $5 million, pledged the steel workers $500,000 a month and made $2 million available for interest-free loans.

The Amalgamated Clothing Workers gave $250,000 and offered to lend another $750,000 without interest.

Mr. Reuther's UAW, with 1.2 million members, provides a good example of how unions are building up strike funds. Until last year, the UAW relied mainly on special strike assessments to raise a war chest.

In 1955, the union assessed members $5 a month for four months to supplement 25 cents earmarked for the strike fund from regular dues.

In 1958, in anticipation of major negotiations with automobile manufacturers, the UAW imposed another special assessment of $5 a month for three months.

Now the union is collecting $1.25 a month regularly with the aim of building its strike fund up to $40 million by August, 1961, when it will negotiate again with major automobile companies.

The fund reached $17 million at

STRIKE POWER

continued

the end of August. Since 1955, when it started the year with $7 million, the fund has taken in $66 million and spent $56 million.

Mr. Reuther proposes a $500 million strike fund for all unions.

"If we can raise $40 million, the whole labor movement could raise $500 million," he told delegates to the UAW convention last October.

Union leaders contend that large strike funds are actually strike deterring, rather than strike promoting, on the theory that employers will yield more readily to a bargaining agreement if they know that the union is strong financially and can withstand a long strike.

Only in recent years did the UAW begin to pay benefits as a matter of right to all members on strike, rather than only to those who could show need. This would seem to refute the contention that strike funds deter strikes, because a worker who is going to get a benefit—as high as $30 a week from the UAW—will be less reluctant to strike and is likely to hold out as long as union leaders want him to.

This fact will likely also increase a union's appeal to nonunion workers. Many workers are reluctant to join a union for fear they may have to go on strike and suffer a loss of income. Assurance of strike benefits would reduce that fear.

A study of financial practices of more than 100 unions released by the AFL-CIO shows that 48 unions have special strike funds, all but two of them financed through a regular monthly tax on the members.

Eighteen of them were started in the past five years.

Thirty-nine unions set no top limit on the size of the strike fund. Thirteen have a set minimum; seven set a maximum.

Strike benefits

The AFL-CIO study reveals that 21 unions which have no strike funds pay benefits out of general union funds. Forty-six of 69 pay benefits as a matter of right. The other 23 base payments on a striker's need, usually determined by local union officials closely associated with the strike.

Most unions will pay benefits for the duration of a strike, if funds last, although all but a few require a waiting period, usually one or two weeks.

Certain union requirements have to be fulfilled before most strikers may draw benefits. The three most common are:

The strike must be authorized by the international officers.

The individual striker must be in good standing.

He must fulfill regular strike or picket duties.

The amount of strike benefit payments varies widely from union to union. The least is $7.50 a week. Seven unions pay up to $12.50, according to the AFL-CIO study. Twenty-five—more than half—pay up to $27.50 a week. Three unions pay more than $52.50. Airline pilots, some of whom earn more than $20,000 a year, get half pay, with a minimum of $500 a month, after a 10-day waiting period.

Three unions decide for each strike what the benefit payment will be. Some also vary benefits on the basis of employe earnings, family size, length of strike, and size of the fund.

Whether strike benefits comprise taxable income is still a question. The Supreme Court has agreed to review a decision of the U. S. Court of Appeals at Chicago, which has held that they are not taxable. The Federal District Court and the Internal Revenue Service have held that they are.

The case involves a UAW member, Allen Kaiser, who received $565 from the union in 1954 for food, clothing and rent while on strike against Kohler Company. Mr. Kaiser paid $108 in income tax and is claiming a refund. If the Court of Appeals decision sticks, the government will have to refund more than $500,000 to Mr. Kaiser and other Kohler strikers who paid taxes on their benefits. The strike is still on.

The decision will also affect millions of dollars the government has collected and might collect in the future from those receiving strike benefits.

Union coordination

In a growing number of industries, unions are coordinating their bargaining and strike strategies.

Eight unions with members employed by airlines have organized an Association of Air Transport Unions, with Al Hayes, president of the International Association of Machinists, as chairman.

The association's announced objective is to provide union employes of the airlines with improved facilities for mutual cooperation and more effective coordination in economic, legislative and industry activities.

In the aircraft industry, the IAM and UAW, which together represent 600,000 workers in aircraft, missiles and related electronics plants, have formed a Joint Standing and Coordinating Committee. At a recent joint conference, 400 representatives of both unions adopted a seven-point bargaining program for presentation to major aircraft firms when contracts expire next year.

The 16 nonoperating railroad unions historically have worked together in bargaining with the industry. The five operating brotherhoods, though usually bargaining individually, have put their heads together now to fight railroad demands for revising outmoded work rules, commonly called featherbedding, which the industry contends cost $500 million a year.

Inside the AFL-CIO Industrial Union Department, representing 68 unions with seven million members, research committees are gathering and coordinating economic data for bargaining purposes on 16 companies and industries where employes are represented by more than one union.

The committees try to bring about a common contract expiration date among the different contracts in the same company or industry. This would permit all unions to strike the company or industry at one time. The committees also map out common bargaining problems and tactics.

Strike publicity

A number of union booklets have been published on strike strategy to help unions win strikes. (See "Strike Strategy," NATION'S BUSINESS, March 1959, page 60.) The latest, "Strike Publicity Guide for Local Unions," explains how to get favorable and maximum value out of strike publicity.

The booklet, published by the Industrial Union Department, covers the value of public opinion; use of newspapers, radio, television, handbills, paid advertisements, and even publicity-catching gimmicks.

"To keep the public's attention focused on the strike even though picket lines are peaceful, the union publicity man must manufacture news," the booklet advises. "He must become an idea man and invent gimmicks that will bring newspaper, radio, and TV coverage."

Many gimmicks, the booklet continues, have been used successfully so many times that they can be considered almost standard strike strategy. Mentioned are use of children and pretty girls on picket lines and

arranging mass meetings and parades—anything to get a crowd.

Some gimmicks can combine publicity with direct pressure on the employer to settle a dispute, the booklet points out. Examples: Forming citizens committees which hold meetings and issue protests to management; obtaining statements from religious and civic leaders; union delegations calling on city officials to get them to put pressure on the company.

The booklet advises that no favoritism should be shown to competing newspapers "unless a newspaper's treatment of union news deserves it."

Strike publicity men are also advised on the value of taking the offensive in issuing propaganda.

"Let the employer answer the union's charges," the booklet says. "Don't get trapped into defending the union's position or denying employer allegations."

The laws

State and federal laws and how they are applied can affect union strike capabilities. (For a discussion of national emergency strike legislation, see page 80.)

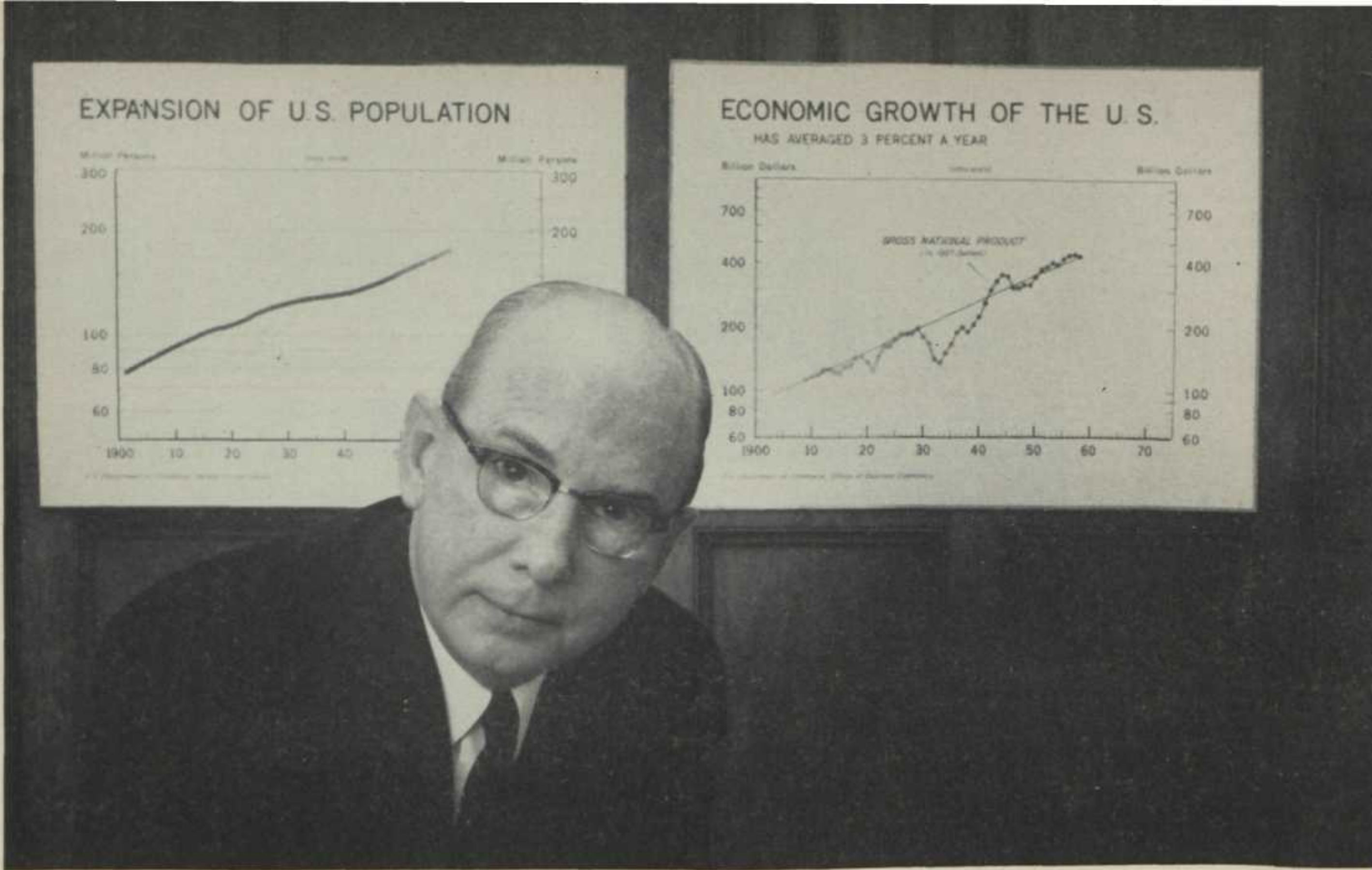
A concession to strikers was made in the new Landrum-Griffin labor reform law. It amended the Taft-Hartley Act to restore to workers on strike for economic gains the right to vote in any union representation election conducted by the employer within a year after the strike began. State unemployment compensation laws can be a factor in a strike situation. The trend is putting employers in a position where they are helping to finance strikes against themselves.

This happens when unemployment compensation, financed solely by a tax on employers, is paid to strikers or to workers idled by a strike of employes in the same company belonging to the same union.

New York and Rhode Island allow unemployment compensation payments to strikers after they have been out seven and eight weeks, respectively. Unions want other states to do the same. They will also press for earlier payments.

Most states allow unemployment benefits to persons laid off at one plant of a company because of a strike at another.

Not only are those idled thus in a better position to help support the strikers, but the drain on the unemployment compensation fund charged against the company would tend to force up its unemployment tax rate. END



YOICHI R. OKAMOTO

GROWTH TARGET:
40 PER CENT MORE BUSINESS

Volume of business in U. S. may double in 25 years, high federal official says

THE 215 millionth American will be born just about 10 years from now.

That event, plus other developments in the U. S. economy, promises to bring an increase of at least $200 billion in the total volume of business done in this country by 1970.

This prediction is made by Carl F. Oechsle, Assistant Secretary of Commerce for Domestic Affairs, in this exclusive NATION'S BUSINESS interview.

Mr. Oechsle, a businessman from Longmeadow, Mass., became assistant to Secretary Sinclair Weeks in May 1953. He served as Deputy Assistant Secretary for Domestic Affairs from Oct. 26, 1953, to Nov. 2, 1958, becoming Assistant Secretary for Domestic Affairs Nov. 3, 1958.

As a businessman, he has been associated with the contract welding and construction equipment business, has served as vice president of a department store in Massachusetts, and as president and chairman of the board of a chemical manufacturing and contract packaging company.

At Commerce, he is in charge of the Department's domestic affairs agencies. These include the Office of Business Economics, the Census Bureau, the Business and Defense Services Administration, the Patent Office, the National Bureau of Standards, and others.

Here are Mr. Oechsle's views on business for the coming decade. He discusses such things as prosperity, what the next census will show, business fluctuations, economic effects of the steel strike, profit trends in the 1960's, employment trends, foreign competition, and other issues important to businessmen..

Mr. Secretary, will the decade ahead be a prosperous one?

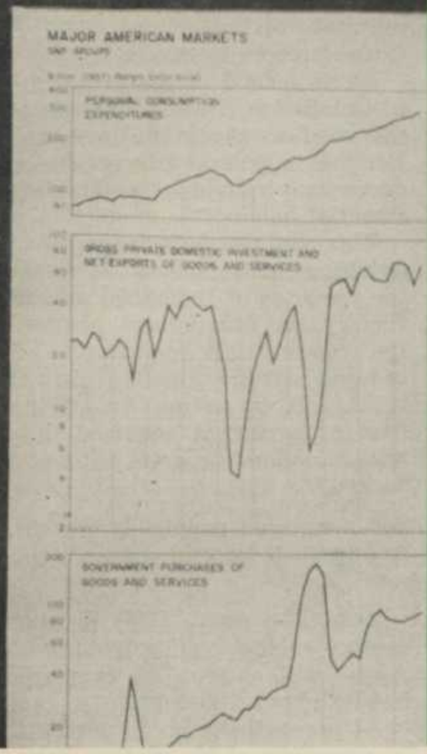
I don't think there is any doubt that the coming 10 years can be the most prosperous in our history, provided we don't get involved in a military contest with the communists.

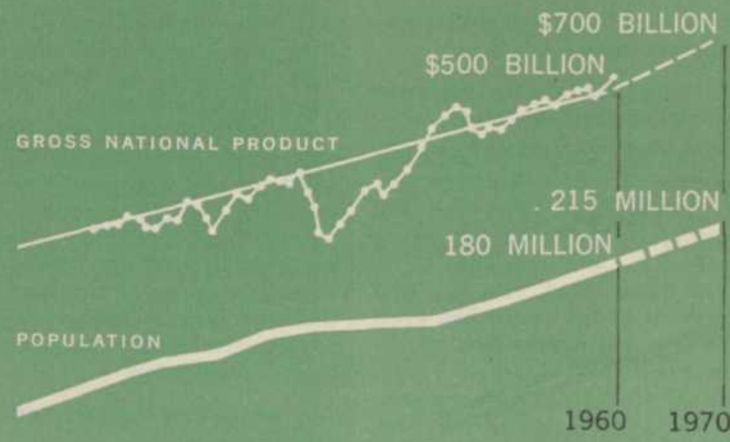
What do you anticipate for the total volume of business by 1970?

Gross national product—the total value of all the goods and services we produce—will be running 10 years hence at approximately $700 billion a year.

By the end of the first half of 1960, with the steel strike settled

A Nation's Business interview with **Carl F. Oechsle** Assistant Secretary of Commerce





Prediction: Continuing population boom will speed economic growth

BY 1970

and no other strikes of national magnitude hindering us, we should attain the half-trillion-dollar mark.

So the decade ahead will see an increase of at least $200 billion—maybe more—in our annual volume of business.

Is it reasonable to assume, then, that we might reach the $1 trillion mark by the mid-1980's?

That is perfectly possible.

That means, of course, that our volume of business will have doubled in the next quarter century.

If we can come to some agreement with world powers, including the communists, to carry out a real disarmament program, we could devote more of our energies and resources to helping the developing countries and help raise the standards of living for all countries. Then I think we could hit the $1 trillion level of business by the middle of, or the end of, the 1980's.

Will our rate of growth accelerate?

Over the long period, the total physical volume of goods and services produced has grown at a rate of about three per cent per year. The real volume of goods and services has doubled about every 25 years.

These are average figures, of course.

Over shorter periods, growth has varied widely, mainly in response to such factors as business fluctuations and wars.

There is justification for the view that our rate of growth may increase. I think it is not unrealistic to believe that our real volume of output will double by, let's say, the mid-1980's.

Has the steel strike seriously interrupted economic expansion?

Work stoppages punctured the boom in 1959.

The annual rate of our national output plunged $6 billion in the third quarter after reaching the all-time high during the previous three months.

That was the first setback in a continuous rise, extending over a year and a half, from the low point of the 1957-58 downturn. The '59 downswing was mainly due to the loss of production and income in steel and related lines.

Despite the effects of the steel strike in the final three months of '59, consumer spending was at the highest rate in our history, with consumer income hovering near its peak.

The business inventories which were drawn down because of work stoppages must be built up to meet a high level of demand in the months ahead.

There is every reason to think that a resumption of the upswing is now in progress.

Will new work stoppages further interrupt the growth pattern during 1960?

It's possible, but I don't think so, not on the broad scale we saw in the final half of 1959.

I have faith that settlements will be reached.

If management and labor can resolve their problems in the railroad field, the probability is that there will be no serious work-stoppage recession during 1960. Resumption of

the upswing, I believe, is under way and will continue.

Do you anticipate severe economic fluctuations during the decade?

We will always have economic fluctuations. If you look at our economic growth since 1900, you will find a great variance in the swing of the line.

On the other hand, you will find that, from 1948 on, there has been more or less a progressively climbing economy.

I believe that from here on out, we are going to have less and less of the depressions that we knew in the past.

Do you expect the next economic downswing to come in 1961?

I have heard economists predict that, in the first or second quarter of 1961, we are likely to have a readjustment period.

Frankly, if we could end the present steel strike and not have serious dislocations over the possibilities of a railroad dispute, I feel that we will go on through 1960 and 1961 before any readjustment period may come up.

Then, in my mind, if it's no more serious than the readjustments we had in 1953-54, and 1957-58, we don't have too much to worry about.

One of the important economic forces for our future is what we spend for research. The nation is now spending about $10 billion a year on research and development of new products. That compares with $2.8 billion in 1950. As new products are brought on the market they will create new business and employment opportunities.

Another factor is diversification. Most companies today realize that they have to diversify and they are doing so.

Regions, too, are diversifying. The one-industry towns are disappearing. This means that, if one industry has a bad year, others may keep going full tilt. The community doesn't suffer such a severe blow economically.

What should government do in case of a downswing?

This Administration has, for a long time, been studying a number of projects that would be available in the way of public works to alleviate the possibilities of a so-called recession.

On the other hand, with the built-in stabilizers we have today—unemployment compensation, pension plans, and things of that type—it's my belief that, if the people will have confidence in themselves, their government and in the economy, there will be no occasion for any bad depression.

In '53 and '54 some businesses were going forward, some were holding their own and some were falling off. The whole economy wasn't sliding backward. The same thing was true in 1957 and 1958.

In the future, we are likely to see the same sort of rolling business readjustment rather than any prolonged depression.

Can we contain inflation during the decade ahead?

Yes. But it is going to require a working partnership on the part of U. S. labor and management and government.

We have to work together as a team to stop this wage-price spiral.

The constant demand for higher wages, and higher fringe benefits, and retirement payments, has got to be faced up to, by the labor unions, and by management, in the pricing of products.

What do you see as major economic trends of the 1960's?

Growth is the major trend I see.

Many factors are at work. We have discussed this question at length here in the Department of Commerce. Secretary Mueller emphasizes that the upward push of business in the years ahead will come from three principal forces: population growth, innovation, and economic wisdom.

Our population increase provides the requisite manpower. Our great natural wealth also is in our favor. Moreover, we add greatly to that wealth through investment in physical plant and equipment each year.

Naturally, in all this, human enterprise and ingenuity are essential. We would not have reached our present position except for the active urge to get ahead which is characteristic of our people.

This urge is manifested in the increasing skill of our labor force, our technological inventiveness, and the continuous progress of management in improving the organization of production and distribution.

To achieve sustained economic growth, we must be sure that we use enough of our resources in ways that will lead to greater productivity in the future. This can be done in many ways. For instance, we hear a great deal about the need to provide better education. The purpose of this is not only to raise our productivity but also to build a satisfying mode of living upon which our future prosperity can be based.

As an official of the Department of Commerce, I want to emphasize the need to encourage investment. For this, a general atmosphere conducive to individual enterprise is essential.

We must also foster research and development programs to explore the horizons of industrial advance. Finally, in inflationary phases of the economy, it is important to keep in mind that investment is ultimately financed by saving. An adequate flow of saving is required, if we want economic progress without inflation.

You mentioned population growth as an important force in economic progress?

Yes. The great 1960 decennial census—which will get started in April—will show a U. S. population of about 180 million.

At present, the U. S. population is increasing at an average rate of 8,000 Americans every 24 hours. By 1970, the daily increase will average about 10,000.

If trends continue, our population will double in the next 50 years.

How will that affect the demand for housing?

The 1950 census counted 46 million homes. The number rose to 55.3 million in 1956, and 1960 will reveal a further gain.

For the year just past, we built roughly 1.3 million new homes. By the middle 1960's you can expect the demand for new homes to increase substantially. A high level will be sustained for many years.

Our changing population has other meanings, too. For example, our work force—now roughly 70 million—is growing at an average of about 700,000 per year. By the middle 1960's, our work force will be expanding by about 1.5 million per year.

Will that create any unemployment problems?

I don't think so. I feel that as time goes on, however, there is a possibility that it will be necessary to cut back the work hours.

For instance, many years ago our grandparents worked 55 or 60 hours a week. Now we are down to a workweek of approximately 40 hours.

How far this trend will go, or should go, is a matter for serious

consideration. It involves a number of factors and not least is our need for a large number of man-hours of input.

The need for workers will be for more highly educated people.

You can anticipate that, if unemployment in future years does tend to increase, a large proportion of the unemployed will be people who lack skill. Naturally, as we get into more and more automated manufacturing plants, we require more and more skilled help. This applies to farming as well.

There are some areas of economic distress. What will happen to those in the future?

I will say this: Since the beginning of 1958, the number of critical labor surplus areas has been reduced considerably. Some of them were temporary.

But, in a dynamic country such as ours, we are always going to have some chronic unemployment in certain one-industry towns, or in certain areas which depend on particular products that might be replaced by other new products.

Our Commerce Department's Office of Area Development is helping such communities to help themselves in improving their economies.

What do you see in the way of profit trends for the 1960's?

It is difficult to say that we are going to have a continuing increase in profits.

Although we can forecast an increase in the total business volume, the probability points to a profit situation in the future that hinges increasingly on the resourcefulness of management and good teamwork all around.

Before the steel strike began last year, we were rolling along at a high economic rate, and profits picked up considerably.

The 1959 profit increase does not indicate long-term trends. There will be profit increases, naturally, as our business volume goes up over the years ahead. But we're likely to see a continuation of the trend we have seen in the past decade—that is, profits as a percentage of gross sales may decline.

Is this good or bad for the economy?

I think it is bad. I am a free enterpriser. I am reminded of a speech made by the dean of an eastern university, who recently traveled to Russia and went through their industrial plants and saw their agricultural activities. He found that the Russians are using the incen-

GROWTH TARGET

continued

tive system to such an extent that he came back here and said that it looked to him as though the Russians are heading for capitalism almost as fast as we are heading for socialism.

Now, when you head for socialism, you get to the point where groups of people are being subsidized, as agriculture has been subsidized for years.

Then you begin to subsidize the mineral industries and the first thing you know you begin to subsidize business, all of which interferes with the law of supply and demand. This takes away the incentive of free enterprise to go out and make profits. Even though we now accept some subsidies as necessary, nevertheless as a general principle, the more you get into subsidy by the government, the more you get under government control.

I would like to see new emphasis on the free enterprise system in this country, less control by government and a better working relationship between labor unions and business.

What are the principal factors to which you attribute this decline in profits?

It involves an increase in wage costs, fringe benefits, etc. These costs come out of profits and/or increased prices to the consuming public.

Does taxation deter economic growth today?

Yes, no question about it. It's particularly true of the man who wants to work hard in business.

Adjusting tax rates, both for individuals and corporations, offers, I think, one of the best opportunities for accelerating the rate of economic growth. I believe, too, that adjustments in depreciation would help.

Also, I think we need freedom from interference in business activities. I agree with Secretary Mueller that the less control we have for American business the better off we are going to be.

How do you feel about the congressional proposal for premerger notification?

Well, I think there is a certain element within that proposal that is good.

On the other hand, a lot of companies about to merge feel that their intent to merge shouldn't have to be disclosed to the public or to government.

I don't think we will ever get unification of thought on this issue.

How about notification of price changes?

When government gets involved in the pricing situation of industry, I think the government is getting into a control area that is not good.

Nor do I favor the drastic kind of credit control legislation that is sometimes put forward as a cure-all.

Do you see any need for legislation defining government's role in strike settlement procedures, or the seizures of industries that have been struck?

I do not want to discuss any question of legislation or government action at this time. But as to the general strike problem, I will say this:

When an industry, such as steel, is struck industry-wide, the total economy feels the impact. When a few union leaders can put out of work 500,000 members of the Steelworkers Union and as a result of that, the jobs of hundreds of thousands of people in other industries are affected, this is bad for the nation as a whole.

I think that is too much power for any group to have. Furthermore, I personally believe there should be a secret strike ballot before any national union can tie up the whole country. If we ever had that, in my judgment, a larger percentage of the strikes would disappear, because many of the men, through the influence of their wives and families, would not vote to go out on strike.

Will the 1960's see more competition from abroad?

Yes. We are seeing it now.

The question is, will we be able to meet that competition? I am hopeful we will.

I'd like to see us meet it in some way other than having American companies leave the United States to put plants in other parts of the world—which means that we lose payrolls in America.

True, there are vast differences in wage rates in many foreign countries.

But when you consider the billions of dollars we are spending for research and new plant and equipment, we can expect to bring out new products that will fulfill market needs. Unless other countries keep up with us on research, we should be able to keep ahead of

them in production of many new products.

Are we pricing ourselves out of world markets?

In some cases we are, but in other cases we have not really made an effort to sell our products in many foreign countries. A harder job of selling abroad should help to increase our exports.

What about wage-cost differences?

Our Bureau of Foreign Commerce made some studies of certain European countries. The study found that since the end of the war their wages were increasing faster than ours. In time, I think, the wage-cost advantage which other countries now enjoy will be partially cut down.

Will our government swing to a more protectionist policy?

To a degree, yes. The time has come when we should ask the co-operation of foreign countries in controlling some of their export campaigns. They know we must do it to protect some of our industries.

The President has said he wants no domestic industries put out of business as a result of the General Agreement on Tariffs and Trade passed by Congress two years ago. We support that view here in the Department of Commerce.

We want to be fair to our own businessmen, and we want to be fair to the free world. But you have to realize that, with the financial help and technical aid that we have given other countries in recent years, we have helped many of them get into better position to compete with our companies.

Are you worried about the balance of payments?

I think we all should be. The problem is serious. We're paying out about $4 billion more this year to foreign countries than other countries are paying us.

Secretary of the Treasury Robert B. Anderson said recently that the U. S. can no longer be the world's banker. We must have help from our allies, many of them now are perfectly capable of doing their share—and they should.

Will the recent pick-up in exports continue?

We hope it will. If other countries start to drop their barriers and their tariffs, we can sell more of our products abroad and that is going to help us with our balance of payment problems. END

HELP WORKERS' VIEWS COME THROUGH

Three rules assist in getting the employe feedback you need

BUSINESS HAS DEVELOPED many ways of finding out what employes are thinking. They range from highly sophisticated polling and interview techniques to simply leaving the boss' door open.

Each listening device has its virtues—and its limitations. While some are clearly better than others, research shows that no single method is adequate to give you all the information you need about employe ideas and attitudes.

The experience of leading companies points to three basic rules for management to follow in obtaining helpful feedback from an organization. They are:

▶ Put listening on a *systematic* basis.

▶ Use a *combination* of listening methods.

▶ *Utilize* the information you receive, not merely to assess employe morale, but as a guide to basic management decisions.

You've read a great deal about your responsibility as an individual manager to listen intelligently and receptively. This kind of man-to-man communication is unquestionably important. Through it, your everyday contacts with subordinates can become a fruitful source of information about what's really going on in the shop. Without it, no other method of listening is likely to be very meaningful.

But informal listening is not enough. It must be supplemented by systematic, institutionalized listening. Any manager who relies solely on his personal open-door policy for upward communication will miss a lot of valuable information—and may be seriously misled by some of the things he does hear.

There are several reasons why this is true.

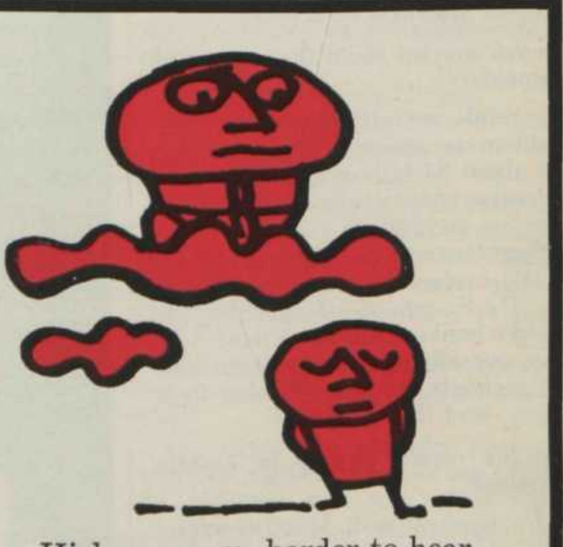
One is that, no matter how permissive you try to be, your subordinates will always have a strong tendency to tell you what they think you want to hear.

"The higher you get up the ladder," says Virgil Martin, general manager of Carson Pirie Scott & Co. of Chicago, "the less likely you are to get real expressions of what individuals are thinking."

It works the other way, too. Every executive, whether he realizes it or not, has built-in jamming devices that tend to screen out everything an employe says except what the executive wants to hear. You can reduce this tendency by conscientiously listening with an open mind, but you would be more than human if you succeeded in eliminating it entirely.

A further difficulty of the open-door method of listening is that ideas, suggestions, criticisms and trouble reports often have to travel upward through several management echelons to reach the level at which effective action can be taken. The chances are enormous that somewhere along the line the original communication will either be diluted, distorted or sidetracked. Supervisors are reluctant to pass along even constructive criticism of their unit's operations because they feel that it reflects on their capacity to manage without bothering the boss.

The final and perhaps most serious limitation on open-door listening is underscored in a study made by Johnson & Johnson. When upward communication is left entirely to the initiative of subordinates



Higher you go, harder to hear

—that is, when it is on a spontaneous rather than systematic basis—the information that management receives is likely to be "neither balanced nor comprehensive."

"A few glaring weaknesses or successes may get all the attention. Aggressive spokesmen for some departments may claim frequent hearings, while others get none." As a result, "the executive who relies upon spontaneous communication alone receives neither a true picture of conditions nor the information he needs to forestall trouble and improve operations."

Many plans for systematic listening have been tested in recent years. They vary widely in objectivity and reliability, in cost, and in the kind of information they yield. None of them is entirely satisfactory by itself. The best results have been achieved by firms that use two or more methods in combination so that strengths of one offset weaknesses of another.

The various schemes for institutionalized listening fall into four general categories. They are discussed below under the headings:

- Special channels.
- Statistical systems.
- Attitude surveys.
- Interviews.

Special channels

One way of cross-checking and supplementing the information that flows upward through the regular chain of command is to set up a special channel which short-circuits intermediate echelons and allows complaints and criticisms to travel express from the bottom to the top.

The armed forces have done precisely this with their inspector general system. When the I. G. comes to a military base, he not only makes his own investigation of conditions; he also gives the lowliest G. I. a chance to blow the whistle anonymously on any real or imagined infraction of regulations.

Theoretically, a business organization could extend the function of its comptroller's office to serve the same purpose. But the I. G. system is alien to business tradition, and importing it from the military might cause serious loss of morale among middle management and first-line supervisors.

Business has experimented with another kind of special channel, also adapted from the military. It consists of planting trained observers at key spots in the organization to work alongside regular employes and to report directly to top management on morale and other problems. British industry evolved this idea under the name "Mass Observation" and it seems to have worked fairly well. When a similar system was tried in America it ran into bitter protests from union officials, who called the observers "spies."

Unions themselves are, of course, a special channel through which reports can reach top management. If you have a good union in your plant and if your relations with it are good it can be an extremely valuable source of information. Astute evaluation is required, and few managers would care to rely solely on this listening device. If you do use it, however,

We hear what we want

bear in mind that the negative reports which come up through grievance machinery are not the only kind of listening that can be done via this channel. Many companies have tapped positive contributions through labor-management committees set up to deal with problems of mutual concern that are outside the normal realm of collective bargaining.

A final type of special channel is the familiar suggestion box. It can't do any harm, and it may yield an occasional good idea. The only thing wrong with the suggestion box is that some managers think that when they have hung one outside their door, they have solved the whole problem of upward communication. They haven't.

Statistical systems

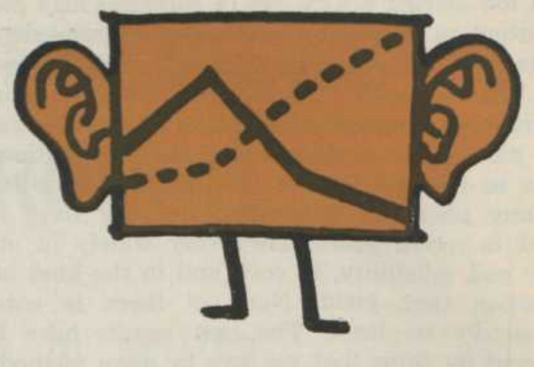
Since every business organization is awash with statistics anyway, it is useful for management to

Company should sit and listen

listen to what these ubiquitous figures have to say about employe attitudes.

The most notorious tell-tales in the statistical family are turnover and absenteeism rates. When they are abnormally high in any unit of the organization, management can be reasonably sure that something is wrong there. The trouble may lie in supervision, working conditions or a dozen other things, including the inherent dullness of the work performed in that unit. This is the great limitation of all statistical methods of tuning in on employe thoughts: They may tell you where there's trouble, but they rarely give you any clue as to why.

Researchers have turned up about 30 other types of statistics, ranging from scrap rates to participation in company insurance programs, that theoretically reflect employe attitudes. General Electric has been experimenting with an over-all index which seeks to correlate eight of these factors in a single scale. When sufficiently tested, this index may be a more sensitive and reliable listening device than any statistical system now available.



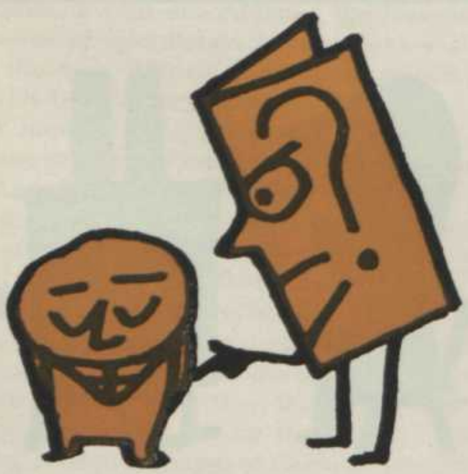
Reliable listening device

Attitude surveys

Anonymous questionnaires have been widely and successfully used by business firms to find out what employes are thinking. These questionnaires have several distinct advantages over other listening devices. Here are some:

1. Since the opinion-giver does not have to sign his name, he doesn't have to worry about possible repercussions. He can be candid, praising what he likes, damning what he dislikes, and neither the boss nor the union steward will later take it out of his hide.

2. A questionnaire can be administered to a large number of employes simultaneously, thus insuring that the response represents a valid cross section of opinion, rather than the views of a few articulate gripers or apple-polishers.



Questionnaire can be candid

3. The questionnaire can be framed to elicit information on a wide variety of subjects. It need not be restricted to morale-measuring questions about wages and working conditions. With the right kind of questions, and wise interpretation of the answers, you can find out such things as how much importance your employes attach to various fringe benefits; how well your policy statements and other downward communications are being understood on the line; and the general quality of supervision in various units.

One questionnaire which has proved to be unusually valuable for this kind of listening-in-depth is the so-called "Employe Inventory" developed by the Industrial Relations Center of the University of Chicago. It has been administered to more than 500,000 workers in about 1,000 companies. The responses received in other firms are thus available as a yardstick against which to measure the results in your organization.

The "Employe Inventory" includes 78 questions carefully worked out by industrial psychologists to cover all aspects of an employe's attitude toward his work. In addition to these standard questions, space is provided for 22 other questions of specific application to your organization. Finally, there is room for each employe to write in any comments, ideas, suggestions or complaints that aren't covered in the questions.

The latter feature is important. One company found this complaint in the "comment" section:

"Every morning our truck crews have to hang around the dispatcher's office waiting for him to make out our assignments for the day. Why can't he have them ready when we get to work?"

That one suggestion paid for the cost of the survey.

Interviews

A statistical study can help you spot problem units

in your organization, and keep an eye on the trend of employe attitudes. A good questionnaire can do both of these things, and also give you clues to the general nature of employe dissatisfactions. But neither will yield the kind of pinpoint diagnosis that is needed as a basis for effective remedial action. For that, you have to resort to interview techniques.

Interviewing can be expensive, and really good interviewers are scarce. These are the chief drawbacks to this kind of company listening. They can be minimized by using other methods (such as the attitude survey) to rough in the background and to focus your interviewing on the areas of greatest need.

One type of interview widely used as a listening device is the so-called exit interview, in which the personnel office tries to find out from a departing employe why he's leaving. While some managers think highly of this technique, many others who have tried it say that it is woefully ineffective. The reason is that you are hearing from a peculiar sample of your employe population—the ones who are quitting. They may exaggerate their grievances, or invent some, to justify a decision based on other grounds. Or they may soft-pedal real complaints for fear that the company will retaliate by withholding a job recommendation or blacklisting them with a prospective future employer.

The most useful kind of interview for listening purposes, as opposed to specific functions such as merit-rating or placement, is the nondirective interview which has been evolved in recent years by such firms as Sears and Western Electric.

This takes time—and highly trained interviewers. So don't try to apply it to all employes. Pick a representative sample from the unit under study, and call them in.

The interviewer may seed the conversation with a few general questions, but the basic idea is to let the employe talk freely about what is on his mind. The company—in the person of the interviewer—just sits and listens.

Company listening, by any or all of the methods we have outlined, is pointless unless management utilizes intelligently the information received.

Employe morale is important. Most managers believe that it is directly related to productivity. But measuring morale is by no means the only reason for finding out what your employes think.

When your shoe pinches, the foot is the first part of the body to know about it. The same is true of a corporate body.

If organizational structures have become unwieldy, if the new production process is full of bugs, if the policy that sounded so good at the board meeting is backfiring badly in practice—your employes are likely to know about it before you see the results in your financial statements.

They will tell you if you're listening, and this kind of guidance from below can be of incalculable value to your decisions.

Sears adopted its famous flat organization chart, radically decentralizing executive authority, because attitude surveys and interviews showed that employes in small units were much better satisfied with the way the company's administrative machinery worked than were employes in large units. Experience has proved, Sears executives say, that the employes were dead right in their implied advice to top management that things would run better if big units were cut up into small, relatively autonomous units.

Sears took this step in the interest of better management, not merely to raise morale. Higher morale was a by-product. The same is true of many other types of management decisions that can stem from listening to employes. If you pay attention to the places where they say the administrative shoe is pinching, you will get better management—and higher morale as a bonus.

But it is important that you do act. All the listening devices in the world won't convince your employes that you really want the hard facts unless you do something about them when you get them. You may find, on investigation, that a widespread employe complaint is really unjustified, or that an admittedly unsatisfactory situation cannot be remedied at the present time. In that case, you should let your employes know, through plant newspapers, bulletin boards or meetings, that you have looked into the matter.

Special channel

Correct, if you can, the misinformation which led to the complaint. Or explain why nothing can be done about it now. It doesn't matter whether the problem is one that primarily affects the employes or one that is primarily hurting the company's profits. You must let them know that management heard what they had to say—in their interests or the company's interests—and that management can be trusted to listen the next time they speak.

—LOUIS CASSELS & RAYMOND L. RANDALL

REPRINTS *of the article, "Help Workers' Views Come Through," may be obtained for 10 cents a copy or $7.00 per 100 postpaid from Nation's Business, 1615 H Street, N. W., Washington 6, D. C. Please enclose remittance with order.*

Executive Trends

Your job in a new decade

This is a good time to examine your company's current position and objectives, your own role in your company's operations, and the prospects and pressures you and your company will face in the 1960's.

So far as the total environment in which business operates is concerned, certain conclusions about the 1960's can already be drawn. They will be years of great change. The leveling of incomes will continue; there will be a younger, better-educated work force, increased leisure time, a greater international-mindedness on the part of many companies. Management consultant John Corson, in an article beginning on page 32, discusses these and other trends in more detail.

▶ In your own business, you are likely to find yourself relying more on the highly trained specialist, whether in the fields of hard research, or in behavioral fields related to morale, personnel selection, market analysis and group efficiency. Competition will be tighter than ever before and the margin for error in business decision-making substantially reduced.

Pointers on listening

Businessmen live in a tidal wash of words. Innumerable reports must be read and digested. There's the weekly round of conferences. Hours of dictation. Frequent exposure to the concentrated verbiage of conventions.

Yet, most executives fail really to absorb most of the words that are daily directed at them.

Herbert W. Hildebrandt, a University of Michigan instructor in speech, says we only have a two to three second attention span when we are listening to spoken words. We are diverted from concentration by our own prejudices toward the speaker and his subject, and by such external distractions as the sound of passing automobiles or the squeak of a secretary's shoe.

▶ To be a better, more effective listener, Mr. Hildebrandt says, you must first blot out all other stimuli except the speaker. "Be open-minded," he says, "and be willing to receive the oral sounds that the speaker is uttering." Search only for the ideas you can use, he adds, and review not only what the speaker has said, but the evidence he used to support his generalizations.

White collar has a bright future

The office worker has come a long way from the day of timorous, stool-perching clerk of the last century—and the years immediately ahead will see an even greater rise in his (or her) importance.

In America at present, office workers outnumber agricultural workers and office employes are equal to one half the number of factory employes. In 1900, only one worker in 40 toiled in an office. Walter Emmerling, president of the National Office Management Association, says the importance of office work and office management will grow because the work load is increasing faster than the number of personnel available to handle it.

Mr. Emmerling denies that increasing mechanization will decrease the importance of office workers. He cites a recent NOMA survey which shows that in 219 companies, with 2,552 affected employes, only 19 were displaced by the use of data-processing equipment.

▶ Here are some specific predictions from NOMA's head man: 1. office mechanization will increase; 2. the desire for improving office environment will become more of a concern; 3. the human side of business will always be more important than machines.

How to reduce labor turnover

Research indicates there are few, if any, universally effective ways to cut labor turnover.

This statement by Dr. Frederick J. Gaudet, director of the Laboratory of Psychological Studies at Stevens Institute of Technology, comes after completion of research on labor turnover which he conducted for the American Management Association.

While effective techniques for reducing turnover vary widely from company to company, a number of devices often seem to work well, Dr. Gaudet says. These include selection techniques, such as the weighted application form and psychological testing, better training techniques on the job and more effective communication.

▶ Setting weekly goals for employes is one good way to lower turnover, Dr. Gaudet notes. In some companies, employes are not given frequent measurement of their performance, and the lack of such measurements encourages frustration and departure.

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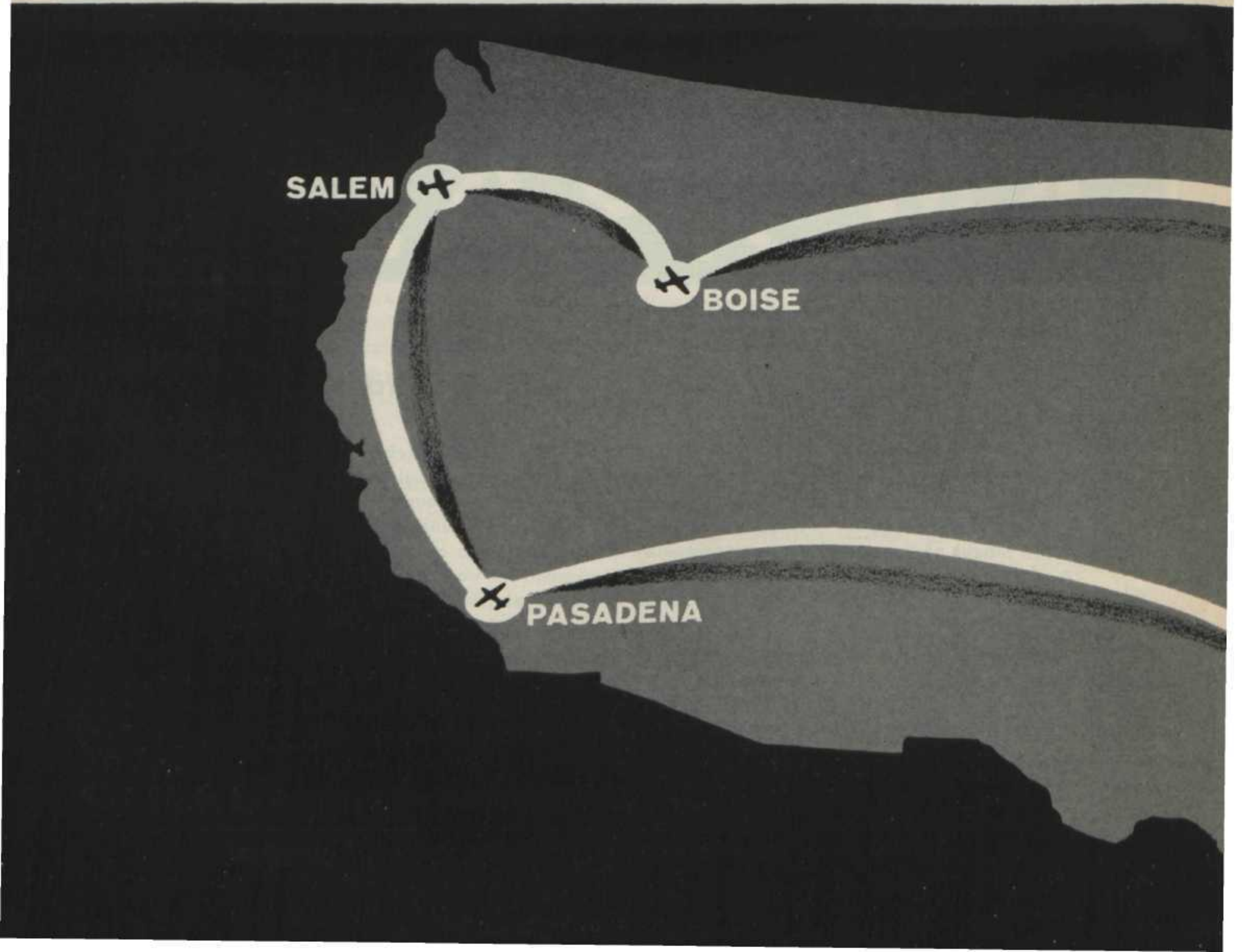

become a more useful citizen

3. It will show you how to work closely with Congress, and how to make your reasoned views heard more effectively in Washington; and

4. It will show you how to make your action and your example felt on the political scene.

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Feb. 24—Memphis, Tenn.—Peabody Hotel
Feb. 25—Wichita, Kans.—Broadview Hotel
Feb. 26—Ft. Worth, Tex.—Texas Hotel
Feb. 29—Pasadena, Calif.—Civic Auditorium
March 1—Salem, Ore.—Marion Motor Hotel
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March 4—Minneapolis, Minn.—Pick-Nicollet Hotel

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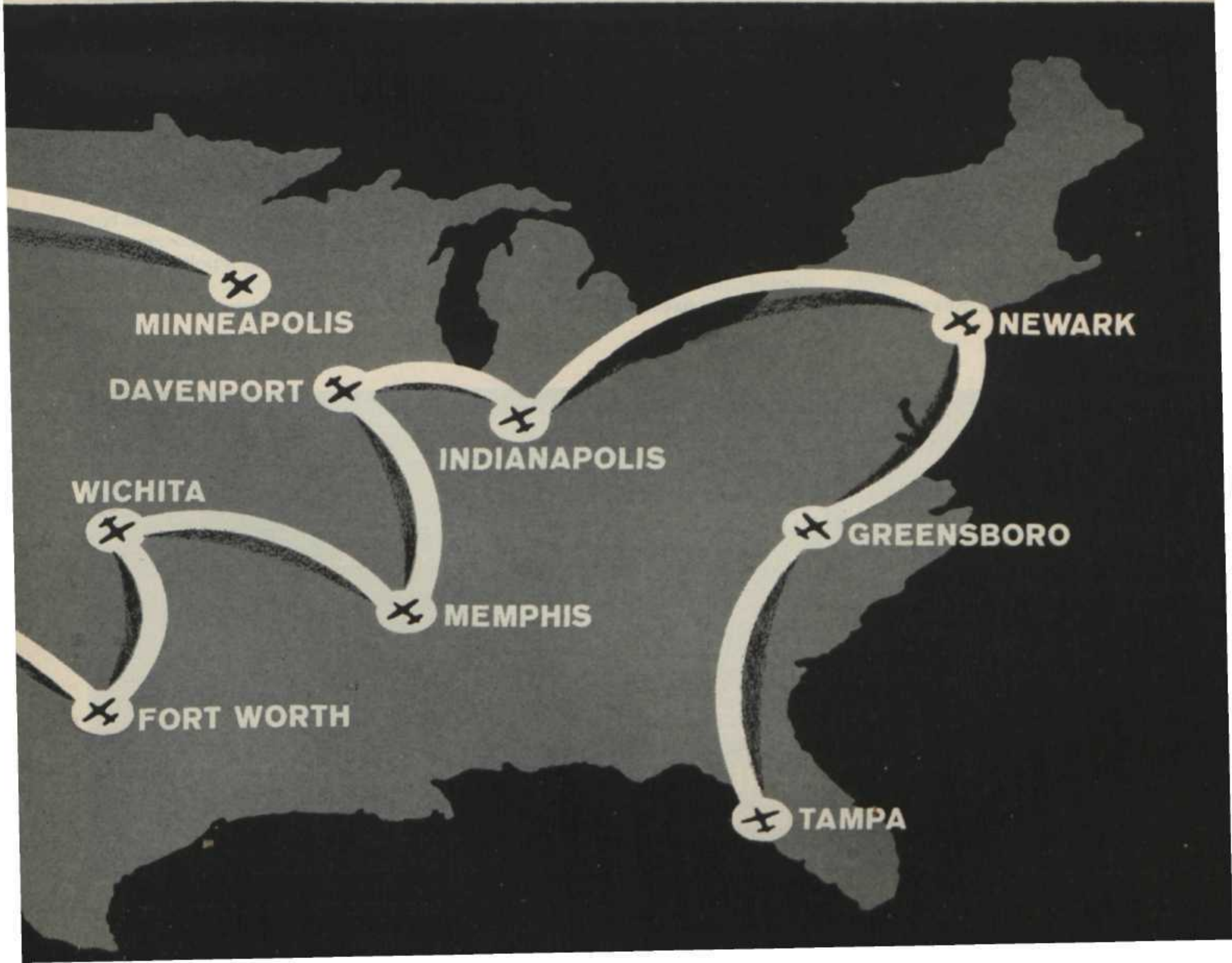

HOW TO STOP BIG STRIKES

Congress must attack problem at the source

By **LEO WOLMAN** *Board Member, National Bureau of Economic Research*

THE STEEL STRIKE and prospects of more serious labor trouble ahead in steel, railroads and other industries increase the urgency for control over union monopoly power.

President Eisenhower, members of Congress and others are giving serious thought to how big strikes which damage the economy can be prevented. Admittedly, the emergency provisions of the Taft-Hartley law have proved inadequate.

Suggested now is additional legislation which would provide for such measures as compulsory arbitration, business seizure, induction of strikers into the armed forces, labor courts and recommendations by fact-finding boards. Before examining these measures and discussing the wisdom of enacting them, let's review what has happened in the 25 years since Congress enacted the Wagner Act and adopted a national policy of promoting unionism and collective bargaining.

Since the Wagner Act was passed in 1935, union membership has zoomed from 3.5 million to 18 million. Collective bargaining replaced individual bargaining in those places where it was assumed to be most needed and most beneficial.

Almost immediately, the process of unionizing and amassing union power threw up problems that the policy-makers had not allowed for. First came the sit-down strikes of the 1930's as a method of forcing unwilling employers to recognize and deal with unions. During the war, stoppages in essential industries aroused public resentment and inspired action by Congress. Finally, a series of postwar strikes turned the country's attention to the threats of union power and led to the adoption in 1947 of the Taft-Hartley Act.

This law, consisting of amendments and additions to the Wagner Act of 1935, sought to equalize the power of employers and unions and to protect the public interest. The Act includes elaborate provisions designed to prevent or halt strikes affecting "an entire industry or a substantial part thereof" which imperil "the national health and safety." Congress, first having made it easy for unions to strike at a vital public interest, thus took steps to prevent them from going too far.

The recent steel strike, a stoppage of 116 days at immense cost to the steel workers, the companies, the U. S. Treasury and a variety of industries dependent on steel, has again brought to the fore the question of the public policy best adapted for dealing with this situation and others like it.

The President has shown remarkable patience and great reluctance to employ the authority of government in the steel dispute. He admonished the parties to settle their differences by "intensive, uninterrupted, good-faith bargaining." He offered to appoint a fact-finding board if both sides wanted one; he conferred with representatives of the industry and the union.

The President's often-reiterated objective has been to obtain an agreement by free collective bargaining—the generally accepted goal of this country's policy of labor relations.

Only when repeated efforts to

Here's what's wrong with these proposals:

COMPULSORY ARBITRATION:
Leads to government wage and price fixing.

LABOR COURT:
Puts wage and price decision up to government.

PLANT SEIZURE:
Government will run your business.

FACT-FINDING BOARDS:
Recommendations won't prevent strike unless union agrees.

make bargaining work ended in failure, did the President invoke the Taft-Hartley Act. By this time the effects of the strike were being widely felt and decisive action had become imperative. Accordingly, the President ordered a fact-finding board to investigate the strike and report its findings. The Attorney General's office obtained an injunction ordering the strikers back to work.

The injunction is for 80 days. If 60 days of further negotiations fail to bring agreement, then the strikers vote on the employers' final offer in a secret ballot conducted by the National Labor Relations Board. Rejection of the offer will likely mean another strike Jan. 26.

This, then, is the elaborate procedure devised by the Taft-Hartley Act for dealing with a strike which imperils the national health and safety. Unhappily, there is no pat method for preventing strikes of this nature or for stopping them early enough to avoid serious damage to employes, business and the public so long as we foster and protect agencies powerful enough to carry on such strikes. In this area of human relations there are no panaceas or miracles to be thought up by Congress or the Chief Executive. We know what the available expedients are and, at one time or another, we have tried them all.

Unless we actually outlaw strikes under certain specified conditions, which we are not likely to do, the alternatives seem to be compulsory arbitration, labor courts, seizure of the plants of an industry, possible induction of strikers into the armed forces, cooling-off periods during which a strike is suspended, and the creation of fact-finding boards to make recommendations.

Compulsory arbitration is in a class by itself. Congress has always shied away from this solution even in the case of strikes against public utilities and other essential public services. Inconvenient and costly as strikes often are, taking away the right to strike is too drastic a remedy under our system of government. Besides, compulsory arbitration presupposes wage-fixing and price-fixing by government, an outcome which no one should want.

Labor courts fall into the same category as compulsory arbitration if the courts are given power to decide a dispute.

Plant seizure and inducting strikers into the military raises much the same objections. Both of these put an end to striking and they come close to forcing a settlement on business and labor. Seizure, moreover, involves stating the conditions under which plants will operate while in the government's possession, the terms under which the men will work, and the conditions under which the plants are to be restored to their owners.

The Senate rejected a seizure bill in 1949. The Congress earlier rejected President Truman's request that striking railroad employes be drafted into the armed forces.

There remain, then, the devices of cooling-off periods and emergency or fact-finding boards. A combination of the two is the essence of the antistrike provisions of the Railway Labor Act. Under this law strikes on railroads, once decided upon, must be deferred until an emergency board, appointed by the President, holds hearings and presents its findings and recommendations.

The board is given 60 days, occasionally extended by consent of the parties, to complete its deliberations.

The theory is that public opinion will persuade the unions and the companies to accept what the board recommends. In the early history of the law this was the case. But since the early 1940's, board findings often have been rejected, labor peace has become harder to preserve, and we have faced a succession of strikes and threats of strike.

Fact-finding boards possess no inherent virtues beyond the effect their reports may have on public opinion. This effect is not likely to be great unless the members of a board are men of unusual prestige and authority.

But the appointment of fact-finding boards will not prevent strikes or stop strikes once called unless the union and the industry agree or the board is set up under a law requiring the postponement or the ending of a strike.

President Eisenhower proposed appointing a fact-finding board during the steel strike, provided the

SOLUTION:

END INDUSTRY-WIDE BARGAINING

Lift union exemption from antitrust laws and thus attack problem at source by controlling monopoly power

BIG STRIKES

continued

idea was acceptable to both sides. It was not clear that the union would have sent the men back to work if such a board had proved acceptable. It was clear, however, that there was no agreement to accept the board's recommendations. If these were not accepted, presumably the strike could begin again, as it can late this month under the Taft-Hartley procedure if there is no settlement.

If the purpose of public policy is to keep a strike from running on forever, there would seem to be little to choose between what Taft-Hartley now provides and a new law authorizing the President to appoint a fact-finding board authorized to make recommendations.

The great objections to Taft-Hartley are, first, that the board does not make recommendations and, second, that an injunction is the wrong way to get people back to work.

As to the first, there is obviously only a thin line between a board's stating its findings or making recommendations. A little push would swiftly convert a fact-finding into a recommending board.

As for the injunction, union opposition to this instrument is purely symbolic. The union officials, in some sense responsible for the welfare of 500,000 union members, must have breathed a sigh of relief when the Supreme Court removed the obstacles in the way of the injunction which, for the time being, ended the strike.

Certainly the strikers returned to the mills with the alacrity that was to be expected when men have been idle and without pay for close to four months.

Finally, it makes little practical difference, if a strike is stopped through an injunction sought by the government or through a law that requires men to return to work when a fact-finding board is set up.

All such expedients and variants of them will not have much influence, in the long run.

The powerful centralizing tendencies in the making of union policy have not been adequately taken into account in devising the means for dealing with union power. Union jurisdiction and relations among unions are purely private matters though they vitally concern the public interest.

The United Steelworkers rule not only the basic steel industry, but

also aluminum and a fair share of steel fabrication.

The authority of the United Automobile Workers extends from automobile and parts-making to agricultural implements and aircraft production. Because their jurisdiction overlaps, the UAW not long ago joined forces with the Machinists to pursue a common policy in the aircraft and missile industry.

In the same way, eight unions recently organized an Association of Air Transport Unions to coordinate their economic, legislative and other activities in dealing with airlines. [See page 62.]

Where power on this scale is curbed only by the will to refrain from using it, the usual expedients of boards of one kind or another will fail to protect the public interest in preventing nationwide strikes.

The problem before us, then, is not how to invent a new type of board to grapple with a crippling national stoppage, but how to keep such a strike from being called in the first place. This is not a new problem.

Solution, as is generally known, requires an attack on the sources of national strikes, industry-wide bargaining and union monopoly power.

When the Taft-Hartley Act was being drafted, a bill introduced in the House undertook to limit the area of collective bargaining and thus to prevent national strikes. Discussing this bill, the House Committee Report said:

"Probably the most important clause . . . is that which limits industry-wide bargaining . . . arrangements by which competing employers combine . . . to bargain together, and arrangements by which great national and international labor monopolies dictate the terms upon which competing employers must operate seriously undermine our free competitive system. . . .

"It is no answer to say that some employers like to combine together to bargain collectively. It is natural that they should dislike having their plants struck while the plants of employers who are competitors . . . are operating. . . . Our concern . . . is not with its [industry-wide bargaining's] advantages and disadvantages for either employers or unions. Our concern is the public interest, and the public interest demands that monopolistic practices in collective bargaining come to an end."

This bill managed to muster considerable support in 1947. It passed the House, 308 to 107, and was de-

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BIG STRIKES

continued

feated in the Senate by only one vote. Aside from its monopolistic features, industry-wide bargaining is not sound. The very machinery of national bargaining encourages excessive demands and national stoppages. The interests and problems of an individual company are submerged in what are considered to be the industry's interests.

As this year's bargaining in the steel industry clearly shows, central bargaining has reduced negotiation to a lost art. The chairman of the President's Taft-Hartley board said, after months of discussion, that he was unable to discover what the issues were.

What is true of wages in national bargaining is doubly true of work rules. These are essentially local matters. Difficulties with rules arise where there has been a record of carelessness or mismanagement in allowing costly conditions to grow up in the shop.

When this has happened it is unlikely that the situation will be righted by language in a national contract. The language required to accomplish this purpose would need to be so explicit and far-reaching as to be unacceptable to any union and, for that matter, to the men.

It seems clear that the time is long overdue for bringing monopoly power in labor relations under some measure of control.

Lawyers may argue as to how this can best be done. But bringing unions under the antitrust laws is a simple and direct way to begin. Meanwhile, employers in major industries would be advised to encourage each company to look after its own interests. **END**

WE NEED INCENTIVES— NOT PAYOLA

THE WORD "PAYOLA," an obscure piece of professional slang, has won a place in the congressional vocabulary. It identifies a practice which congressmen seem to regard as dubious, at least, in the entertainment world which coined the word.

Some have suggested that taking money to popularize an unworthy phonograph record is evidence of an immorality that may require government control.

This is drastic judgment to voice in an election year when many congressmen are already stressing the need for federal money for home district subsidies. Attempting to sway a voter's judgment with a new federal project does not differ greatly from attempting to sway a disc jockey's judgment with money.

The word "payola" fits neatly over both. Because politics is less frank than music, the spending schemes will not be called payola. They will be called "liberal" and supported with arguments of opportunity. Urged at other times as necessary to combat recession, to lift the downtrodden or buttress national defense, they will be prescribed now as fertilizers for economic growth.

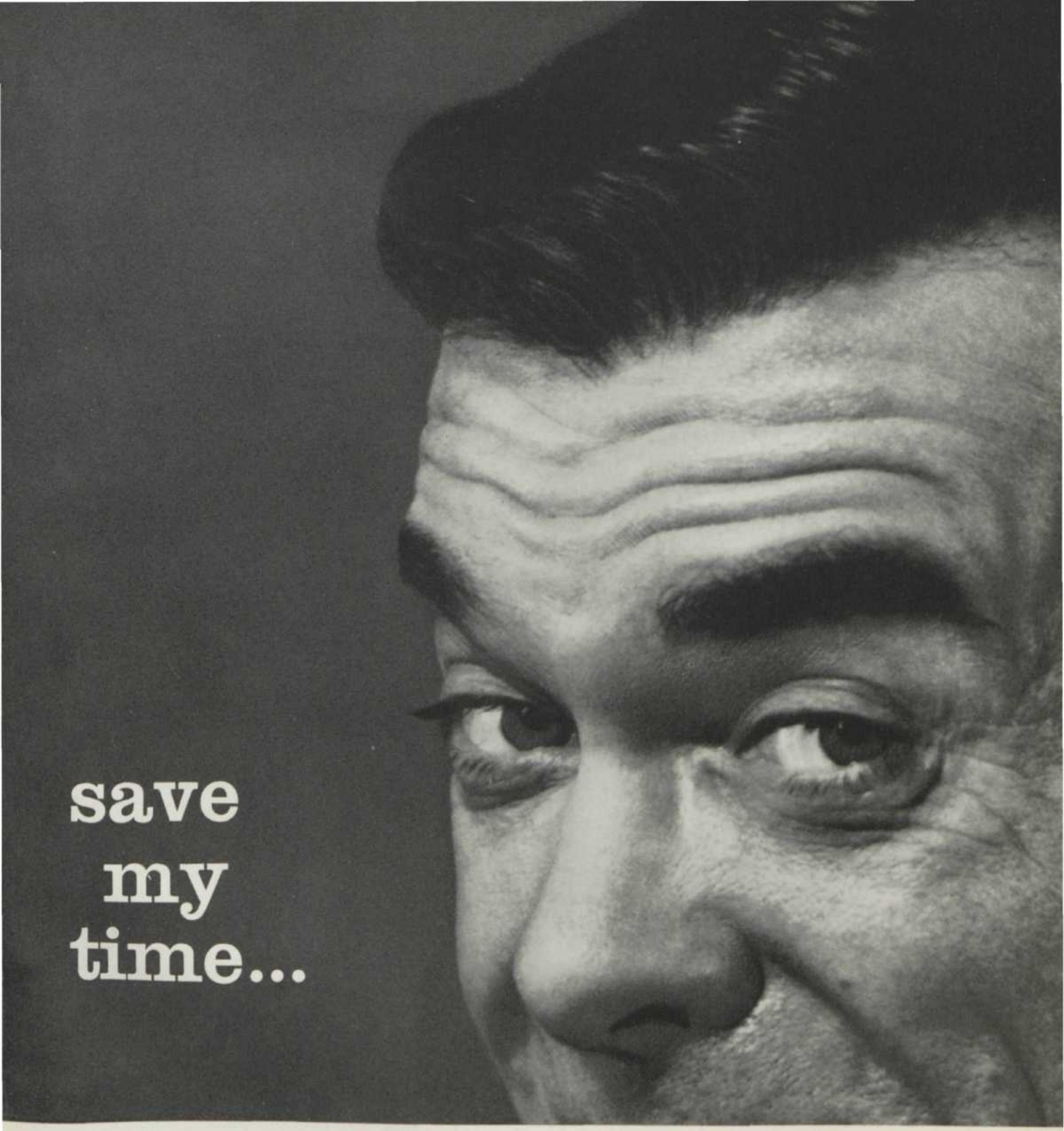
The fact that Russia's reported progress today is double our own makes this argument timely, though hardly logical. If forced-draft economic growth is needed—a view not universally shared—it will not come by way of loose credit, deficit-spending and inflation. Production increases when men and women work harder, show more ingenuity, risk their savings to develop new and better goods. Government will not encourage that kind of behavior by spending. If the actual purpose is to foster sustainable growth, government needs to increase incentives, rather than subsidies. Income tax reduction would be such an incentive.

Properly applied, a tax reduction would increase government revenues, distribute the tax burden more equitably, promote stability of the dollar, provide the means for citizens to tackle new and expand going enterprises and create more jobs. The soundness of this approach can be demonstrated. Canada has cut income taxes twice since the Korean War. Both times government revenue has risen. In West Germany income spurted ahead 70 per cent when the income tax rate was reduced from 94 to 55 per cent. In our own country, tax revenues increased with tax cuts in 1924, 1925, 1929, 1946 and 1954. When citizens are assured that they can keep the rewards of outstanding performance or successful risk, they respond with the kind of effort on which healthy growth is based.

The Herlong-Baker bills, already before Congress, meet the tests of fairness and practicality. Passage now would take the brakes off progress at home in a way that would increase our leadership, prestige and influence abroad. Under these bills everybody would get a tax reduction. Everybody's incentive to produce would be increased and everybody would share in the rewards. Everybody would respond as recipients were expected to respond to the payola.

By acting on these bills quickly, Congress could bring to all the people the better life that subsidies fail to bring to the disappointed few.

Nation's Business · January 1960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